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the role of welfare institutions in alleviating demographic transition

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STEMMING THE TIDE OF AGEING IN CHINA

THE ROLE OF WELFARE INSTITUTIONS IN ALLEVIATING
DEMOGRAPHIC TRANSITION

BY
BIRGITTE EGESKOV JENSEN

DISSERTATION SUBMITTED 2019



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“A journey of a thousand miles begins with a single step”.

- LAO TZU

CV

Birgitte Egeskov Jensen studied Politics and Administration (Ba) and Development and International Relations (Ma). She graduated cand.soc. from Aalborg University in 2016. She has since worked at the Department of Political Science at Aalborg University. Birgitte has been affiliated with Centre for Comparative Welfare Studies (CCWS) and Sino-Danish Centre in Beijing.

Her research interests include Chinese social policy, social citizenship and demography. An overview of her publications and public dissemination can be viewed here: <https://vbn.aau.dk/da/persons/132182>.

ENGLISH SUMMARY

This dissertation seeks to advance the existing knowledge on China's demographic transition given the current development of the country's welfare state. In China, the recognition that changes to the welfare state must happen has begun to dawn and the country has addressed the issue by abolishing the 'one-child' policy and enacting the universal 'two-child' policy. Despite this effort, however, the fertility rate has not increased sufficiently. More relevant would be to consider social policymaking or enhancing the development of a 'moderate' universal welfare state.

The research aim is trifold. First, the challenges to the development of China's social welfare system are uncovered. Second, we look into how the Chinese welfare state development has had an effect on demographic changes. Third, we examine if and how the development of a 'moderate' universal welfare state could relieve the burden associated with demographic transition in China.

First, the dissertation finds that the main challenge to China's social welfare system at this time is the hukou system or more specifically 'social exclusion'. The hukou system can be considered an institutional logic of welfare segregation, in that it serves to stratify the population and control population movements, leading to social exclusion and dual citizenship status. A policy design which favours inclusiveness and 'moderate' universalism could foster equal social citizenship across China.

Second, the dissertation shows that a long-term, sustainable solution should be found in a holistic welfare state approach to ageing – as has been the case in universal welfare states. This is only possible if China addresses the issues of elder care and increasing the pension age, while at the same time addressing issues related to declining fertility and gender parity.

Finally, we find indications that the development of a 'moderate' universal welfare state could relieve the burden associated with demographic change in China, through a holistic welfare state approach to demographic change, meaning a policy approach which goes beyond addressing 'ageing' from the perspective of the elderly. China could take advantage of enormous untapped labour market resources and lessen the demographic burden considerably in the future.

We acknowledge that much depends on regulating the pension age, labour productivity of the shrinking workforce and other incremental policy changes.

DANSK RESUME

Denne afhandling søger at fremme den eksisterende viden om Kinas demografiske udvikling i betragtning af den aktuelle udvikling af Kinas velfærdsstat. I Kina, er anerkendelsen af at der skal ske reformeringer af velfærdsstaten begyndt. Man har blandt andet adresseret problemet ved at ophæve 'et-barns' politikken og efterfølgende vedtage den universelle 'to-børns' politik. På trods af denne indsats er fertiliteten imidlertid ikke steget tilstrækkeligt. Denne afhandling argumenterer at det vil være mere relevant at anerkende betydningen af socialpolitiske tiltag eller styrke udviklingen af en 'moderat' universel velfærdsstat.

Problemstillingen er grundlæggende tredelt. For det første, afdækkes udfordringerne for udviklingen af Kinas sociale velfærdssystem. For det andet, undersøger vi hvordan den kinesiske velfærdsstatsudvikling har haft indflydelse på demografiske ændringer. For det tredje, undersøger vi hvordan og om udviklingen af en 'moderat' universel velfærdsstat kan afhjælpe den demografiske byrde i Kina.

Afhandlingen finder at den største udfordring for Kinas sociale velfærdssystem, på dette tidspunkt, er hukou-systemet eller mere specifikt effekten af 'social eksklusion'. Hukou-systemet kan betragtes som en institutionel logik for velfærdssegregering, idet det stratificerer befolkningen og kontrollerer befolkningsbevægelser, hvilket fører til social udstødelse og dobbelt medborgerskabs status. Et politisk design der vægter inklusion og 'moderat' universalisme kan fremme lige socialt medborgerskab i Kina.

For det andet viser afhandlingen at en langsigtet og bæredygtig løsning bør findes i en bredere velfærdsstats tilgang til aldring - som det har været tilfældet i universelle velfærdsstater. Dette er kun muligt, hvis Kina adresserer spørgsmålene om ældrepleje og en hævnning af pensionsalderen, og samtidig tager fat på spørgsmål, der er relateret til faldende fertilitet og kønsparitet.

Endelig finder vi indikationer på, at udviklingen af en 'moderat' universel velfærdsstat kunne aflaste byrden forbundet med demografiske ændringer i Kina gennem en holistisk velfærdsstats tilgang til demografiske forandringer, hvilket betyder en politisk tilgang, der går ud over at håndtere 'aldring' fra de ældres perspektiv. Kina kunne drage fordel af enorme uudnyttede ressourcer på arbejdsmarkedet og mindske den demografiske byrde betydeligt i fremtiden.

Vi anerkender, at meget afhænger af reguleringen af pensionsalderen, arbejdsproduktiviteten i den krympende arbejdsstyrke og andre inkrementelle politiske ændringer.

ACKNOWLEDGEMENTS

China and I have had an ongoing love-hate relationship for many years. The beauty of the country captivated me when I first visited in 2010 and I fell in love with the culture and history when I returned as a visiting student at Beijing Normal University in 2015. Though my love for the country remains intact, writing a PhD on China has at times challenged it. To reiterate what my colleague Kristian Kongshøj wrote in the acknowledgements of his PhD “*writing a PhD with China as the main subject is a lesson in learning to sail blindfolded while trying to steer clear of dangerous reefs*”.

Luckily, I have had a great deal of help navigating my project through set dangerous reefs. First and foremost, I am grateful for the guidance and encouragement I have received from my supervisor Jørgen Goul Andersen. He has provided me with supervision at all hours of the day and been unfailingly critical (always constructive) when needed.

To my colleagues at the Department of Political Science, I would like to say a big thank you to Jan for his encouragement, kindness and mentorship. To Merete for always providing an open door, a smile and a piece of chocolate. To Palle for his positivity and constant guidance. To Sanne for her unyielding support. To ‘the young cohort of CCWS’ for many beers, burgers and laughs. To the rest of my colleagues, I would like to say a big thank you for the many hours spent together chatting by the coffee-machine, at the lunch table and over cake on Wednesdays.

I am indebted to my sister, Anja, who has read, criticised, and corrected the majority of my papers throughout my education. You have not just made me a better student (and in turn a better researcher); you have made me a better person. For that, I am eternally grateful.

Lastly, I would like to thank my childhood friend, Pernille, for her moral support and kindness. You are my self-chosen family and I am forever grateful that I get to be part of your family.

TABLE OF CONTENT

CV	5
ENGLISH SUMMARY	7
DANSK RESUME	9
ACKNOWLEDGEMENTS	11
Table of Content.....	13
Table of figures.....	15
CHAPTER 1. INTRODUCTION	17
1.2 Research aim	19
CHAPTER 2. METHODOLOGICAL APPROACHES AND CONSIDERATIONS	21
2.1 Applied demography – the demographic lens.....	21
2.1.1 Political demography and the case of China	22
2.1.2 Design: what can we learn?	23
2.2 Data quality.....	24
CHAPTER 3. SETTING THE STAGE: DEMOGRAPHIC CHANGES IN CHINA	27
3.1 Demographic changes in China.....	27
3.2 New divisions.....	35
3.3 Demographic transition theory.....	37
CHAPTER 4. UNDERSTANDING THE CHINESE WELFARE STATE	43
4.1 From ‘iron rice bowl’ to ‘moderate’ universalism.....	44
4.1.1 The hukou system and ‘the floating population’	47
4.1.2 Institutional fragmentation: the pension system.....	48
4.1.3 Old divides and new challenges.....	49
CHAPTER 5. WELFARE IN AN AGE OF DEMOGRAPHIC CHANGE	51
5.1 Welfare regime theory: ‘pension reform begins with babies’	51

5.2 ‘Varieties of universalism’	55
5.2.2 Teething troubles – a universal welfare state in the making?	58
CHAPTER 6. SUMMARY	67
6.1 Article A	67
6.2 Article B.....	68
6.3 Article C.....	69
6.4 Article D	70
CHAPTER 7. TYING A KNOT: WELFARE STATE DEVELOPMENT AND DEMOGRAPHIC TRANSITION	71
7.1 Conclusions	72
BIBLIOGRAPHY	77

TABLE OF FIGURES

<i>Figure 1 Annual growth rate of the Chinese population (per cent).....</i>	29
<i>Figure 2 Trend of population ageing in China, 1950–2015, UN projections 2050 & 2100</i>	30
<i>Figure 3 China’s population pyramids 1960 & 2016 and 2050 UN projections (men and women, percentage of total population)</i>	31
<i>Figure 4 TFR in China 1950–2015 and 2050 & 2100 UN projections.....</i>	32
<i>Figure 5 Sex ratio at birth (male births per female births), 1950–2015</i>	34
<i>Figure 6 Five-stage demographic transition model.....</i>	38
<i>Figure 7 China and the demographic transition model</i>	39
<i>Figure 8 Population pyramids under the demographic transition model</i>	40
<i>Figure 9 Expansion of social insurance coverage in China 2000–2017 (percentage of total population*)</i>	46

CHAPTER 1. INTRODUCTION

China has in recent years been preoccupied with building a new welfare state, based on the concept of ‘moderate’ or ‘appropriate’ universalism (*shidang puhui xing*). This has been accompanied by a revitalisation of state funding and social policymaking on a scale never before seen, and the Chinese welfare state has expanded immensely. However, China is at risk of sinking into a void of demographic change that will pose challenges to the still fragile Chinese welfare system.

China is far from alone. The world as a whole is ageing. Many developed countries are experiencing demographic transition at a relatively slow rate, whereas China is ageing at a rapid pace, like many developed countries in East Asia. As the popular saying goes, China is ‘growing old, before growing rich’. In the post-Maoist era of economic reform and record growth, China has succeeded in lifting more than 600 million people out of extreme poverty (\$1.25/day adjusted for purchasing power). World Bank analysts Ravallion and Chen attribute this achievement to China’s ability to reap the rewards of the agrarian reform in the 1980s. After the initial success following the early reform period, continued economic growth did not bring continued social progress to the same extent and ‘*the low-lying fruits of efficiency-enhancing reforms pro-poor reforms*’ (Ravallion and Chen 2007, 38-39) are becoming scarce.

Social progress has not kept pace with China’s economic growth, and the country is growing old before it has grown sufficiently rich to handle the burden of an ageing population and, more importantly, before it has set up an economically and socially sustainable welfare system. In many ways, China is a latecomer to social policymaking. After dismantling the old welfare system from the planned economy, China has been preoccupied with building a new welfare state – a ‘moderate’ universal welfare state. This development has been accompanied by major reforms within social support systems such as pensions, healthcare, unemployment and education (Frazier 2010; CDRF 2012; Kongshøj 2015a; Ngok 2015; Chen 2017). Recent five-year plans have repeatedly affirmed the aspiration to increase the coverage and generosity of existing welfare schemes and to reduce the inherent social inequity embedded in the household (*hukou*) registration system.

From a comparative perspective, many developed countries have been aided in their demographic transition by established inclusive welfare institutions and, because of these, are better able to manage these demographic changes. This includes, for example, stimulating labour supply (postponing retirement and providing incentives to work longer), pension reforms and pro-natal policies.

In comparison with developed countries, population ageing in China has four distinct characteristics: population ageing in China has happened while China’s economy is still relatively underdeveloped; it is ageing at an unprecedented speed; it

is the biggest older population in the world; and more than half of the older population live in rural areas (Cai et al. 2012; Du et al. 2013; Cai and Cheng 2014; Cai 2016).

Although the willingness shown by the Chinese government to reform the welfare state shows faint glimmers of a rights-based approach in assessing access to public goods and services, there is still a long road ahead. The current set-up of the Chinese welfare system in some ways exacerbates the issue of demographic change in the country. First, a lack of sufficient care options is challenging women's labour market participation, and the traditional role of women as caregivers is competing with women's opportunities to earn income outside of the home. Studies have shown a steep decline – from 75% in 1988 to 57% in 2009 – in urban women's employment to population ratio. Hare (2016) has found that household demographic composition – such as the presence of children and elders – plays an important role in women's labour market participation.

Second, the immense exclusion mechanisms embedded in the hukou system are a driver behind changes in family structures and the skewed demographic composition across the rural/urban boundary, where elders and children are left behind due to migration (Giles, Wang, and Zhao 2010; Liu 2014a; Xiang et al. 2018; Gruijters 2017).

Third, due to a lack of a unified welfare system or continual transfer system of welfare benefits, many migrants are discouraged from participation in the welfare system, as social insurance accounts in many instances are pooled locally (Frazier and Li 2017).

Last, the one-child policy is often cited as the culprit of China's changing demographic situation, although – as will be discussed in chapter 3 – this is not the case. Meanwhile, the unintended consequences of the one-child policy greatly affect the demographic situation. Due to a preference for male offspring under the one-child policy, the sex ratio at birth (SRB) is highly skewed; some report it as high as 1.21 in 2005 (Zeng and Hesketh 2017), meaning there are 121 male children born per 100 female children. There are two sides to this issue; first, the excess of men precludes a large group of the population from having children and, second, there are not enough women to maintain the traditional informal elder care traditions.

There can be no doubt that policies regarding population containment and movement have been and will continue to be a major factor in determining China's welfare state development, including its prospects for development. However, based on the experiences of developed countries, the development of China's welfare state could have great impact on the country's ability to handle and accommodate demographic change. Reforming China's welfare system is a demographically pressing issue, as well as socially vital.

1.2 Research aim

This dissertation seeks to advance the existing knowledge on China's demographic transition given the current development of the country's welfare state. Much research has been devoted to uncovering how demographic changes in China will affect the development of the budding welfare state and, in particular, the still fragile and fragmented pension system (Zeng 2011; van Dullemen, Nagel, and Bruijn 2017; Liu 2014b; Liu 2017). Little attention has been paid to how the development of the welfare state could affect the magnitude of the demographic transition, which seems paradoxical, given the extensive research on the subject within comparative welfare state research. In China, the recognition that changes to the welfare state must happen has begun to dawn, and the country has addressed the issue by abolishing the 'one-child' policy and enacting the universal 'two-child' policy. Despite this effort, however, the fertility rate has not increased sufficiently. More relevant would be to consider social policymaking or enhancing the development of a 'moderate' universal welfare state.

Based on the theoretical shortcomings in terms of examining social policymaking – in this case 'moderate' universalism as an independent variable – the overall aim of this dissertation is to examine if and how the development of a 'moderate' universal welfare state could relieve the burden associated with demographic transition in China. This overall aim is specified in the two following sub-questions:

- a) What are the challenges to the development of China's social welfare system?
- b) How does welfare state development affect demographic change in China?

This dissertation consists of four articles:

- Article A: Jensen, B.E. 2018. "The Hukou Divide: a Passé Construct". *Asia In Focus* 5: 28-40. URL: http://asiainfocus.dk/wp-content/uploads/2018/02/AIF_ISSUE5_Jensen.pdf
- Article B: Jensen, B.E. 2019. "'Perceived Social Citizenship': a Comparative Study Between two Different Hukous". *Citizenship Studies* 23 (2):172-188. Doi: <https://doi.org/10.1080/13621025.2019.1584157>
- Article C: Jensen, B.E. 2019. "Pension reform in China: what can China learn from the Danish approach to demographic change?" *Journal of China and International Relations* 7 (1): 21-43. Doi: <https://doi.org/10.5278/jcir.v7i1.3541>
- Article D: Jensen, B.E. "Sources of support among the elderly in China: the changing roles of family and government". Manuscript.

The four articles focus on the following three aspects of welfare state development in relation to demographic change: (a) the exclusion mechanisms embedded in the Chinese welfare system; (b) the development of a sustainable pension system (in comparison with the Danish model); and (c) the transition from informal to formal care and the continued importance of filial piety in China and the resulting intergenerational tensions.

The research is thus linked to the role of state and family in providing both old-age security and care, in light of the ‘moderate’ universal welfare state, to relieve the demographic burden. There is no doubt that these three themes do not provide an exhaustive answer to the research question, as each article tackles a separate research area, however it has been judged important to gain extensive knowledge of the scope of the issues which could affect demographic transition, rather than gaining specialised knowledge within one area.

There are certain advantages (as well as disadvantages) when examining these issues from a broad perspective. First, it allows us to develop a more comprehensive framework from which to examine the scope of the research question. Second, it allows us to achieve overall insight into the challenges facing China, which could potentially affect the demographic transition. Lastly, it allows us to view the Chinese ‘moderate’ universal welfare state as an entity – although we recognise that the Chinese welfare state is highly fragmented – across the rural/urban boundary and far beyond.

The summary report is structured as follows: chapter 2 addresses the methodological considerations and approaches. Chapter 3 describes the demographic transition in China, and relates theories of demographic transition. Chapter 4 presents an overview of the development of the Chinese welfare state. Chapter 5 sketches out the Chinese ‘moderate universal’ welfare state through the prism of traditional dimensions of universalism. Chapter 6 presents the findings of the articles included in this dissertation. Lastly, chapter 7 weaves together the different threads of the preceding chapters and discusses the four articles and the summary report conjointly to answer the research questions.

CHAPTER 2. METHODOLOGICAL APPROACHES AND CONSIDERATIONS

As stated in chapter 1, the overall aim of this dissertation is to examine if and how the development of a ‘moderate’ universal welfare state can relieve the burden associated with demographic transition in China. The research design draws on both classic comparative welfare studies and demographic methodologies. Demographic methodologies are used to substantiate the framework, whereas the comparative focus is meant to add insight into the relationship between welfare regime theory and demographic change. This would also add richness to demographic methodology, which is basically institution blind.

In terms of demographic methodologies, this dissertation relies on an approach known as applied demography to provide a framework for examining social policymaking as an independent variable. Applied demography is used to identify sustainable policy initiatives given current and future demographic development or, in other words, to examine demographic transition in China dependent on their welfare state development.

The choice to assume a broader perspective is a partly a result of the circumstances of this PhD, the politically sensitive nature of the subject and the limitations posed as a foreigner conducting research in and on China, especially surrounding the social sciences. This approach also allows us to analyse and discuss the effects of welfare state development in a unique way.

The chapter proceeds as follows: first, I briefly outline the theory behind applied demography and specify its application to the research field of this dissertation. Second, I discuss what we can learn from combining this demographic methodology and comparative welfare studies. Last, I discuss the data quality.

2.1 Applied demography – the demographic lens

Demography comes from the Greek and means people (*dēmos*) and writing about (*graphē*) – in short, describing people. Within the field of demography there is a general understanding that demography should be defined as the study of human populations in relation to changes brought by the interplay of births, deaths and migration, and is concerned with the analysis of the size, distribution, structure and characteristics of these components (Pressat 1984; Weeks 2008; Rowland 2003; Swanson 2015). The field of demography can be divided into two general areas – basic or academic demography and applied demography. The main methodological approach used in this dissertation is applied demography.

Applied demography is a subfield of demography that emphasises the practical applications of demographic methods. It is particularly concerned with present and

future developments of populations at a local or national level. These projections provide vital information for planning and policymaking. By analysing trends in demographic behaviour, it is possible to predict the future characteristics of a population, which is essential for anticipating future social change and the consequences of current demographic trends (Rowland 2003; Swanson 2015). In short, *'applied demographers tend to focus on the consequences of population change because they usually are involved in answering questions posed by non-demographers'* (Swanson 2015, 839). As a discipline, applied demography implies the application of demographic concepts and methods to the solution of 'real world' issues. It is a way to describe and understand social phenomena, as well as to find possible solutions in complex social settings.

Demographic methods solely focus on the characteristics of groups; while individuals do possess a demographic profile or are in a sense 'victims' of demographic trends, the interest is mainly in aggregates – studying a group, a state, a nation or the world as a whole.

This knowledge is used to understand real world problems and develop solutions that are sustainable; this stage is defined as the 'action' stage and considered the final stage of applied demography by Thomas (2018). In this dissertation, policy changes or initiatives are considered 'action', and these could include incentives to have more children or developing health services for elders – if these changes or actions are informed by demographic analyses.

2.1.1 Political demography and the case of China

There are few aspects of politics that do not have a demographic dimension. Demography is used to determine political behaviour and political change, such as by profiling the electorate, among other activities. The relationship between demography and public policy, however, is central. Policies on, for example, healthcare and education will inevitably have an effect on demographic processes in society, just as demographic changes affect society (Thomas 2018).

In China, an unequivocal example of this was the enactment of the one-child policy along with other family-planning policies. There is a symbiotic relationship between the demographic determinants (the perceived unmanageable population explosion), policy consequences (including the one-child policy) and demographic consequences. The intended consequence of the policy was to control population growth, but the policy brought about a number of unintended consequences such as a skewed sex ratio and an accelerated ageing burden. The fact that there are an 'excess' of 30 million men in China has also brought about a slew of health consequences. First, the 'excess' men are at higher risk of suffering from mental health issues, and, second, the skewed sex ratio has contributed to an epidemic of prostitution, which in turn has led to an upsurge of sexually transmitted diseases. The heavy ageing burden is placing pressure on families and the welfare system alike, as families are no longer able to care for their elders following Confucian

traditions and the elder care and pension systems are still too immature to handle the growing burden. This is just one example of how demographic developments inspired policy change, and how the established change affected the demographic situation of the country, possibly in ways that we have yet to uncover in terms of unintended consequences. This will be discussed further in chapters 3 and 4.

As mentioned earlier, China is currently undergoing unprecedented demographic changes, and these changes have numerous implications for public policy and vice versa, which in turn has implications for the needs of the population. Population growth has decelerated and the population is ageing, which has produced an age structure that is soon dominated by those over the age of 40 years. These changes have significant implications for the life circumstances of the population, in terms of healthcare, pensions and living conditions, among other aspects. In short, the needs of the population have changed, and the projections indicate that they will continue to change. Projections can stimulate innovations in policymaking and help determine more sustainable ways of meeting the needs of the population, or they can serve as warnings of impending developments that require policy interventions (Rowland 2003).

In this dissertation, applied demography is used to create a framework where the demographic outcome is dependent on the development of a ‘moderate’ universal welfare state. The aim of this framework is to identify innovations in policymaking or social policy interventions that can ease the demographic transition. More specifically, we postulate that the development of a ‘moderate’ universal welfare state can relieve the burdens of demographic transition, through a series of mediator variables such as social citizenship, pension reforms or pro-natal policies, among others.

2.1.2 Design: what can we learn?

Accounting for demographic changes is not new in welfare studies. An example can be found in Esping-Andersen’s slogan: *‘pension reform begins with babies’* (Esping-Andersen 2009, 9). Demography seems so far to have ignored the existence of welfare regimes, although applied demography does account for welfare systems to a certain degree. We aim to remedy this lack in the present dissertation. Demography can identify an issue, but public policy can inform of us of the scope of the issue and help identify solutions.

To understand why family structures are changing, for example, we need to understand the policies that guide family formation. Fertility and family structure comprise an area of great discontinuity between national policies and individual goals – and it is important to strike a balance between a preference for large or small families and national goals to limit population growth or boost fertility rates (Rowland 2003). We need insight into policies regarding maternity or paternity leave, government subsidised child or elder care, as well as cash benefits (among other incentives) to understand demographic variables such as fertility. Just as we

need insight into pension schemes or labour market policies to truly understand the importance of changes in old-age dependency ratios.

We distinguish between external and internal analysis. External analysis pertains to the actual comparison of welfare regimes, while internal analysis concerns single case analysis – in this instance, China.

There are significant benefits of external or comparative analysis. If we merely look at the demographic facts, China is a young country and still has a rather large proportion of working age population in relation to the elderly cohort. In all respects, the situation does not seem too daunting. Even when we look at the projections, China does not seem worse off than, for instance, the Scandinavian countries. However, as we will discuss in chapter 5, the Scandinavian countries are well adapted to handling demographic change, whereas China is not. External analysis not only allows us understand the scope of a given issue, but also to learn from other welfare regimes.

Looking beyond the comparative perspective, there are many instances where we need in-depth understanding of the Chinese welfare state to understand the ramifications of current demographic issues – and this is why internal analysis is important. For instance, demography informs us that China has a skewed demographic composition across the rural/urban boundary, as children and elders are left behind in rural areas due to migration. However, to understand the significance of this, we need to understand the fragmentation mechanisms embedded in the Chinese welfare system. This type of internal analysis is also how we understand how to remedy or lessen the issue under consideration.

In this dissertation, I argue that this welfare state understanding provides ‘richness’, which is especially important when using applied demography. If we seek to reach the ‘action’ stage of applied demography – meaning that we seek to inspire policy change or initiatives informed by demographic analyses – we should understand *why* the given demographic trends are problematic. For that, we need to understand the set-up of the welfare state. Demography is used to describe and understand the social phenomena of demographic change; however, extensive knowledge of welfare state development, social citizenship and family structures, among other factors, allows us to find possible solutions in this complex social setting.

2.2 Data quality

We shall briefly discuss the data quality of the (a) demographic estimates and (b) Chinese statistics, as the quality of the data will influence what is analysed (Coast, Mondain, and Rossier 2009).

When working with demographic estimates, it is important to acknowledge that there is always uncertainty when relying on projections – it is a ‘best estimate’. The estimates depend on developments within fertility, mortality and migration. We

cannot directly evaluate the accuracy of current population projections, but the success of previous global and country-level projections can be examined. In this dissertation we have relied on UN projections, which, according to Keilman (Keilman 2001) are considered to be quite accurate. As an example, in 2010, the global population was 7 billion; previous projections were in the range of 6.8 to 7.2 billion.

There are of course many factors that will influence the rate of population growth in the coming decades. Projections become increasingly uncertain and tend to converge the further into the future they project. For this reason, we only use projections up to 2050 in this dissertation.

This dissertation also makes use of official Chinese data. There are some concerns that official Chinese data are simply unreliable due to bad data and/or are subject to manipulation. However, due to the absence of seemingly better data on coverage of public welfare schemes, for example, we find it necessary to use the official data. When possible, the data is assessed in relation to other estimates in the literature to mitigate some of these concerns.

CHAPTER 3. SETTING THE STAGE: DEMOGRAPHIC CHANGES IN CHINA

In this chapter, we will focus on demographic changes in China as well as policy measures, which have had a substantial impact on the demographic landscape, namely the one-child policy and other associated policy measures under Chinas family planning policy scheme.

First, this chapter details the historical and contextual background of Chinas family planning policy scheme, which led to the enactment of the universal two-child policy in 2015. Second, we will examine major changes in Chinas demographic situation according to four aspects: ageing society, fertility decline, the only-child generation and skewed demographic composition. Third, we detail demographic transition theory and situate the Chinese demographic transition within this framework.

3.1 Demographic changes in China

China experienced very fast population growth over a long period, and in response to this the Chinese government introduced the voluntary ‘later-longer-fewer’ policy – encouraging later childbearing, longer spacing between childbirths and fewer children – at the beginning of the 1970s. This policy resulted in a dramatic reduction in the total fertility rate (TFR) – the total number of children born per woman of childbearing age – from an estimated 5.9 in 1970 to 2.9 in 1979. Despite this, fears of overpopulation persisted and the one-child policy was enacted in 1979. After that, the TFR continued to fall, albeit at a steadier pace (Hesketh, Lu, and Xing 2005; Zeng and Hesketh 2017).

China’s family planning system was a tool to contain excessive population growth and lift China out of extreme poverty. Although the one-child policy was considered practically unenforceable in rural areas, where children were considered both labour capital and the main provider of elder care, the policy was strictly enforced in urban areas (Cameron et al. 2013; Hesketh, Lu, and Xing 2005; Zeng and Hesketh 2017). Demographers warned of the negative consequences of the policy throughout its life span (see e.g. Bongaarts 1985; Greenhalgh and Bongaarts 1987; Yi and Vaupel 1989). Their critique centred on the fact that the demographic dividend was reversing and that the result would be accelerated population ageing, a skewed sex ratio and a decline in the working-age population.

The Chinese government feared a potential baby boom if they lifted the policy. Instead, the policy has undergone several amendments (for a thorough overview see

Zeng and Hesketh (2017), leading to the abolition of the policy in October 2015 and the subsequent introduction of the universal two-child policy.

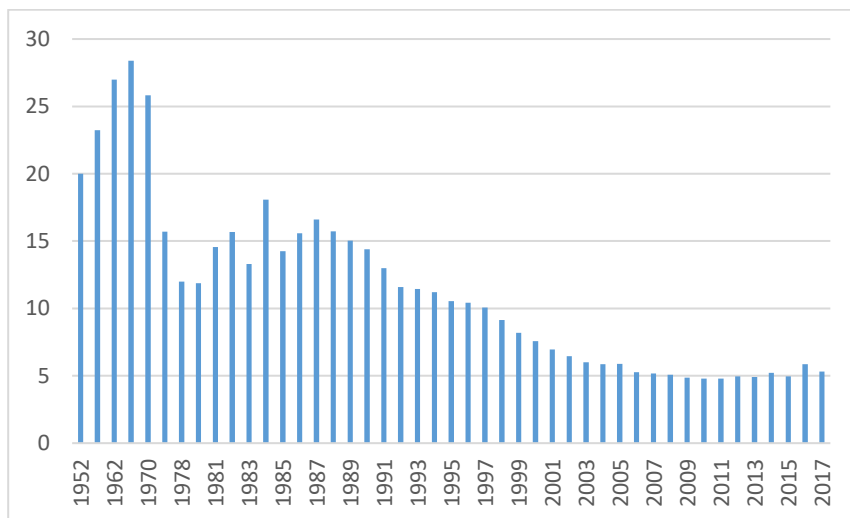
The principal purpose of the universal two-child policy was, among other things, to address the challenge of population ageing by increasing the fertility rate. However, Zeng and Hesketh (2016, 1935) argue that *‘in the next 20 years the universal two-child policy will have only a marginal effect on the rapid acceleration in population ageing if no other adequate policy actions are taken.’* In chapter 7, we outline what set adequate policy actions are.

It is possible that China’s family planning policy has outlived its purpose, as the demographic composition of the country has changed dramatically. Most notably, the life expectancy in China has risen from 43.7 years in 1960 to 76.3 in 2016; at the same time, the fertility rate has dropped substantially from 5.7 in 1960 to 1.5 in 2015 according to UN Population Indicators (UN 2017). However, it should not be ignored that the demographic composition is highly skewed in terms of sex ratio and in rural areas, where there is an excess of elders and children due to migration. There is also a high dispersion of life expectancy across regions.

As life expectancy increases and fertility decreases, the old-age dependency ratio (ratio of population aged 65+ per 100 individuals aged 15–64) rises. At the moment, China remains unusually young compared to advanced industrial countries and has a national old-age dependency ratio of only 15.9 in 2017 – the highest ratio appears in Chongqing (20.60) – according to the China Statistical Yearbook 2018 (NBS 2018). In comparison, the European average was 26.4 in 2015 (UN 2017). However, China is projected to reach an old-age dependency ratio of 44 by 2050, according to UN medium fertility variant projections (UN 2017), depending on the development of fertility rates along with other factors. China has undoubtedly entered a period of accelerated ageing.

To understand why China has reached this point, we must look back and understand the context within which the family planning policy was established. The founding of the People’s Republic of China in 1949 brought improved living conditions and healthcare, as a result of which the mortality rate (number of deaths per 1,000 individuals per year) dropped rapidly from 17 per cent in 1952 to 7.6 per cent in 1970 (NBS 1999). Given the drop in mortality, an increase in life expectancy and a high birth rate throughout the 1950s and 1960s of around 37 (NBS 1999), China’s population entered a period of record growth.

Figure 1 Annual growth rate of the Chinese population (per cent)



Source: NBS 1999; NBS 2018

* Data are missing from 1959–1961, which was a time of severe famine leading to an increase in mortality. According to the CDRF (2014, 4) the growth rate was negative during this time.

During the peak in population growth rates from 1962–1975 (figure 1), China saw an average net increase of 19.74 million people per year (CDRF 2014). The fast population growth brought tremendous pressure on China’s socioeconomic development in terms of the educational system, housing and employment. In September 1980, the Communist Party of China (CPC) Central Committee sent an open letter to all members of the party reading:

‘If we do not spend the next 30 to 40 years, and especially the next 20 to 30 years, advocating the practice of one couple having only one child to control population growth, the Chinese population will reach 1.3 billion in 20 years and over 1.5 billion in 40 years. [...] Thirty years from now, the current severe challenge of population growth will have been mitigated. A different population policy may then be adopted.’

(CDRF 2014, 8)

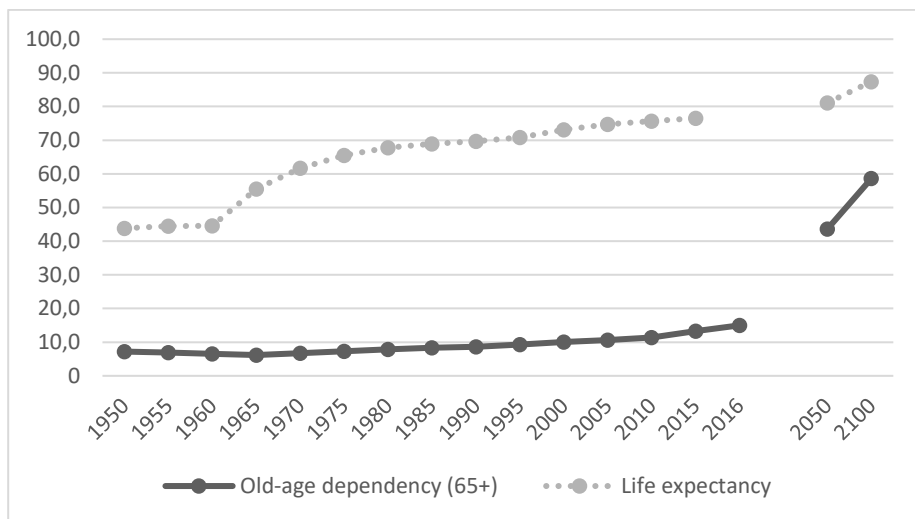
Here we are almost 40 years later, now with the universal two-child policy. The policy was changed after the abolition of the one-child policy in late 2015, and as predicted in the open letter, China’s demographic situation is extremely different. The major changes are briefly summarised according to the following four aspects:

ageing society, fertility decline, the only-child generation and skewed demographic composition.

Ageing society

According to the latest annual data (2017) from the Chinese National Bureau of Statistics (NBS), the population aged 65 and above has reached more than 200 million or 15 per cent of the total population. The rate of population ageing has greatly accelerated, which will intensify pressure on society and increase the need for social welfare reforms. The UN has projected that by 2050 the old-age dependency ratio will reach almost 44 per cent (see figure 2). Chinese people are also living longer; as of 2015, the overall life expectancy at birth was 76.5 years, which suggests that China has stepped into an era of longevity.

Figure 2 Trend of population ageing in China, 1950–2015, UN projections 2050 & 2100

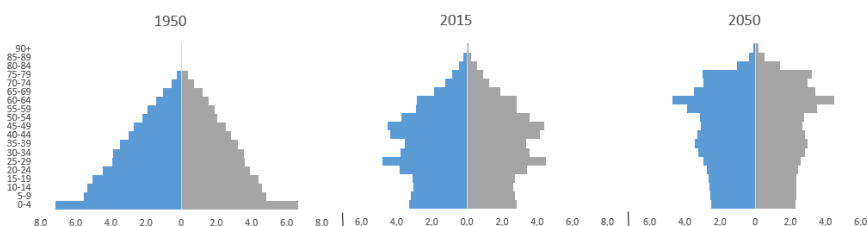


Source: UN 2017; NBS 2018

The old-age dependency ratio varies greatly across China. According to the NBS, the lowest old-age dependency ratio in 2016 was found in Tibet (7.01 per cent) and the highest in Chongqing (19.8 per cent). Similar differences are found for life expectancy, which was less than 71 years in Tibet in 2013, several years below the national average. In the more developed regions in China, such as Shanghai and Beijing, life expectancy has reached more than 80 years (The Economist 2015) – that is, about the same level as in Northern, Western and Southern Europe.

The economic reforms of the 1970s created an abundance of employment opportunities in China; a favourable population age structure, abundance of labour supply and enormous migration flows have made it possible for China to reap the rewards of demographic dividends over the past few decades (Bloom and Finlay 2009). While the size of the Chinese labour force has been increasing over the past decades, the structure of the labour force has changed: it is ageing and the young labour force is relatively small in size (Peng 2013).

Figure 3 China's population pyramids 1960 & 2016 and 2050 UN projections (men and women, percentage of total population)



Source: UN 2017

*Note: Men are on the left and women are on the right in each diagram.

As shown in figure 3, the composition of the population has changed considerably from 1950 to 2015, and the projections do indeed show that China's population age structure is an old one. The picture is not, however, dissimilar to many other countries.

The Chinese population has been fortunate to be able to fully absorb the gigantic baby boomer cohort (as shown in the 1950s population pyramid) with the plentiful employment opportunities created by China's economic reform, which started in the late 1970s (Peng 2013). It is safe to say that China's demographic dividend, coupled with the recent economic boom, has fuelled an already growing and dynamic economy, thus contributing to increasing output per capita and improving the standard of living (Cai 2016). This has in turn improved life expectancy and created a need for reallocation of resources. Changes in the population age structure will lead to a substantial increase in the resources that must be reallocated from the working generation to the elderly, as the expected duration of retirement rises. Individuals are forced to accumulate additional wealth or rely on transfers from the public pension system or a familial system of support, which greatly increases the reliance and pressure on future generations to support their elders (Peng 2013; Peng 2016; Liu 2017).

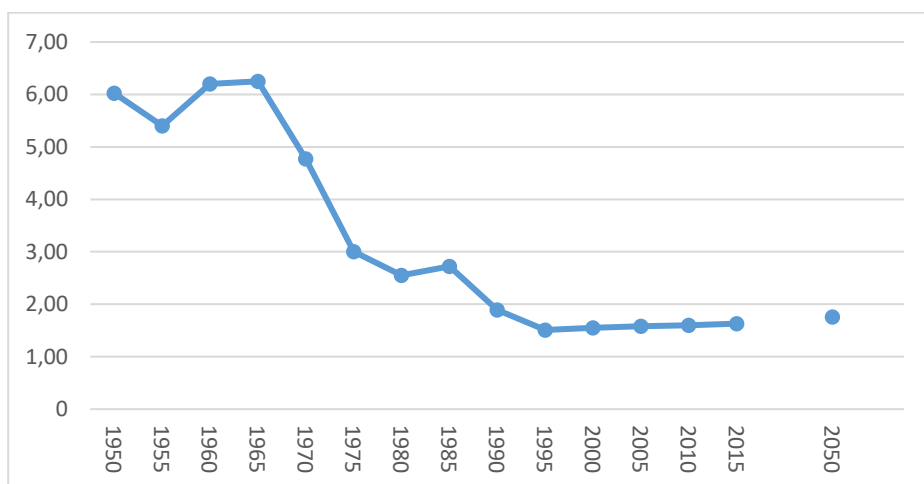
Within academia, there is great debate about how and if this development should be counteracted. Some suggest that the demographic transformation should be

understood as a crisis *‘because its ramifications are huge and long-lasting, and because the effects will be hard to reverse’* (Frazier and Li 2017, 411), while others suggest that the term *‘growing old, before getting rich’* has been put forth in an effort to rationalise and excuse social exclusion in rural areas (Du et al. 2013).

Fertility decline

Fertility decline is often considered the basic cause of population ageing; this is also true in China. In the population pyramids (figure 3) it appears that the ageing process has been twofold. From 1950 to 2015, there appears to have been an ageing process starting ‘from the base’ – this process can be attributed to the decline in TFR. From 2015 onwards, the process is a race to the apex, which can be attributed to rising life expectancy and a decline in mortality rates among the elderly. The theory behind this demographic transition will be explained in greater detail in chapter 3.

Figure 4 TFR in China 1950–2015 and 2050 & 2100 UN projections



Source: UN 2017

China’s fertility rate reached its lowest point of around 1.5 in the 1990s and stood at 1.63 in 2015 (see figure 4). However, there is general debate over the quality of birth statistics in China, and some researchers have argued that it might be even lower than reported here (Zhao and Chen 2011). Under the UN’s medium fertility projections, the TFR is projected to rise consistently to 1.76 by 2050.

With the introduction of the universal two-child policy, China’s family planning policies received an intense amount of interest from the international media. The news was greeted with mixed feelings. While a potential baby boom could improve

the demographic situation, it would also place a tremendous demand on public services. Furthermore, several researchers have commented that China's family planning policies were not the root cause of decreasing fertility rates (Zhao and Chen 2011; Cai 2012). This will be discussed further in section 3.3.

A low fertility rate can lead to many socioeconomic issues; the main question on many Chinese people's lips is 'who will care for the elderly?' It is a pertinent question, as China is left with an ageing population, a shrinking labour force and insufficient informal care options.

The 'only-child' generation

An issue related to declining fertility is that of the 'only-child' generation. The existence of the 'only-child' generation has brought a number of changes in family structure, intergenerational relationships, living arrangements and behaviour.

It is estimated that more than 40 per cent of Chinese households, totalling more than 160 million, are one-child families (Frazier and Li 2017). These families, often referred to as '4:2:1 families' (four grandparents, two parents and one child), are facing a tremendous burden, as fewer or even one family member must support the entire family's elder care and costs.

The vast majority of urban children born after 1979 are a product of China's one-child policy. This has created a generation of 'little emperors': Chinese singletons have been the sole focus of their parents' attention. Once grown, however, they face immense pressure as their family's 'only hope' (Wang and Fong 2009). For centuries, Confucian tradition has dictated that elder care is a filial duty under the values of filial piety. However, the family capacity for supporting this behaviour is eroding due to the '4:2:1' phenomenon, which has created intergenerational tension.

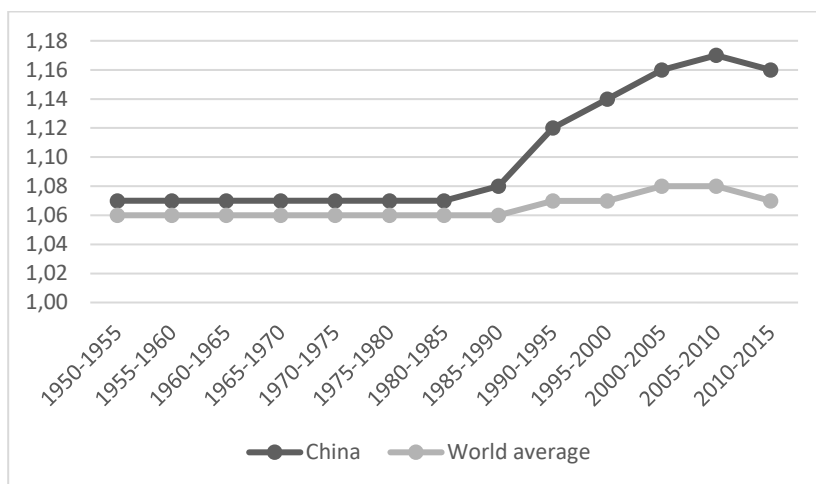
Skewed demographic composition

Since the 1950s, the Chinese Government has enforced the hukou system to restrict mobility and discourage urbanisation. China has nonetheless experienced rapid urbanisation characterised by internal migration, also known as the 'floating population', of around 244 million people in 2017 (NBS 2018). The urban population increased from 17.38 per cent of the total population in 1970 to 58.52 per cent in 2018, according to the China Statistical Yearbook (NBS 2017). Rural-to-urban migrants are left on the sidelines; due to their status as rural citizens, they are barred from accessing the urban welfare system and are generally fully aware of their '*marginal citizenship status*' (Chen 2017, 203). They have in many instances formed a new urban underclass living in poor migrant communities at the outskirts of major cities. While some (Gao, Yang, and Li 2013) see urbanisation as a potential driver for comprehensive and progressive welfare state development in China, many also argue that under current conditions, it is facilitating segregation rather than integration (see e.g. Wu 2011; Afridi, Li, and Ren 2015; Chen 2017).

The demographic composition of rural areas has also become increasingly disproportionate, as elders and children are left behind due to massive rural–urban migration by the working generation (Shi 2012). Due to migration, the traditional intergenerational contract has changed, as the elderly must continue to do a considerable share of the agricultural work and care for the left-behind children. This potentially creates a situation where land may be left uncultivated, resulting in poverty and increased dependency on welfare for the left-behind elderly.

A further controversy is the degree to which the one-child policy has contributed to a highly skewed SRB. As shown in figure 5, the SRB in China for 2010–2015 was 1.16, meaning there were 116 male births for every 100 females. It also appears that China followed the world average until the onset of the one-child policy and that the skew in favour of male births reached its peak in 2005–2010 at 1.17, though as mentioned earlier, some report it as high as 1.21 in 2005 (Zeng and Hesketh 2017).

Figure 5 Sex ratio at birth (male births per female births), 1950–2015



Source: UN 2017

It is estimated that there will be an excess of 30 million unmarried men in the reproductive age group in China. Considering that marriage and having children remain a strong cultural expectation, these men are at risk of stigmatisation and mental health issues (Zeng and Hesketh 2017). There is also great concern about social stability, as these men are forming ‘bachelor cities’ (Poston, Conde, and DeSalvo 2011). The media recently been reporting how the demand for brides is endangering women living on China’s borders, as bride importing has become a new form of slavery in China (The Economist 2017; Asia News Monitor 2019).

The shortage of women is also affecting the quantity and quality of elder care. As mentioned earlier, elder care is still considered a filial duty in Chinese society. While sons are expected to support their elders financially, women are expected to provide physical and spiritual care to their elders. However, the one-child policy and a preference for male offspring have resulted in a deficiency of women to uphold these traditions (Zeng and Hesketh 2017).

Of the four aspects described above, some are directly related to China's family planning policy, while others are related to the social dichotomy manifested in the hukou system. However, one cannot argue that these issues can solely be attributed to Chinese policies – although the one-child policy was an accompanying cause (and a catalyst) for fertility decline – modernisation and China's current status in its demographic transitional development has also played a large role, as argued by Sen (Sen 2015). This will be discussed further in section 3.3.

3.2 New divisions

China is in an era of new divisions. Many of these divisions are fuelled by the changing demographic situation and the causes behind that demographic transition. As vertical relationships across generations are expanding, horizontal relationships between family members have been reduced (Coulmas 2007). This is changing traditional Confucian practices such as the notion of filial piety, as well as affecting intergenerational relationships. Mannheim (Mannheim 1928, 283) describes intergenerational relations as

'the non-contemporaneity of the contemporaneous [...]. Everyone lives with people of the same and of different ages, with a variety of possibilities of experience facing them all alike. But for each the "same time" is a different time - that is, it represents a different period of his self, which he can only share with people of his own age'.

This sums up the root cause of intergenerational tensions in China today. Most societies have experienced tension at one time or another, as society changes, generations are also experiencing different periods of their self. In China, the issue is exacerbated by the rapid demographic change that has cascaded through the economy and society and has been aided by China's family planning policies.

The major trends of population ageing that is affecting family structures are people

- living longer;
- having fewer children;
- starting families later; and
- choosing the family structure that suits them.

These trends are encroaching on traditional notions of care obligations, family structure and living arrangements. This shift, in conjunction with socioeconomic and ideological changes, is bringing about a change in how the Chinese people perceive the family unit. The emphasis on the traditional parent–child bond is likely shifting towards an emphasis on husband–wife relations. China has, however, succeeded in upholding traditional Confucian family values for a long time.

The multigenerational household form in which parents and children co-reside is the epitome of an informal support system and was considered the foundation of elder care in China for more than 2000 years. Today’s living arrangements have become more diversified, while the majority of elders still co-reside with their children or grandchildren, co-residence rates are declining. Instead, non-traditional living arrangements are rising to prominence. Examples of this include ‘empty nest’ households, in which older people live alone or with a spouse only, and ‘skipped generation’ households, in which older people live alone with grandchildren, due to migration of the working generation (Li et al. 2010; Gu, Brown, and Qiu 2016; Gruijters 2017). The old co-residence support system is no longer sustainable due to demographic changes.

This development has not been sufficiently recognised in the past, which means that there are no adequate policy measures in place to handle the transition. In lieu of this, a report made by China Development Research Foundation (CDRF 2014), an official think-tank, has called for a new population policy that encourages adjustments to the family planning policy to enhance peoples’ all-around development.

‘It calls for a new population policy that is characterized by “autonomy in reproductive decisions, encouragement of moderation (in number of children), emphasis on quality, and overall (family) well-being.”’ (CDRF 2014, 1)

With the introduction of the universal two-child policy, the Chinese government has introduced a greater degree of autonomy in reproductive decisions. Meanwhile, the introduction of the universal two-child policy has not brought about the desired increase in fertility. It is a classic Catch-22. Due to demographic transition and, to some degree, the one-child policy, family capacity is eroding. Today, families are not having one child because they are forced to do so, but because they choose to do so. Greater reproductive autonomy does not change this. Population control has created a situation where it is no longer possible to control the population.

Comprehensive welfare reforms to alleviate the burden are necessary so as to encourage higher fertility through pro-natalist policies, to encourage higher participation in welfare schemes through equal social citizenship and to ensure that risk and cost are evenly distributed within the welfare system.

China is far from alone. In the 21st century, many countries throughout the world are experiencing a considerable ageing of their populations. This worldwide population ageing is due to declining fertility and higher life expectancy. In most of the developed world, fertility has declined from moderate to low levels. In the developing world, it has declined from high to moderate/low levels. Some long-term projections show truly daunting ageing figures. At the same time, we are experiencing improvements in life expectancy. In tandem, low fertility and higher life expectancy will result in vastly ageing populations, and the old-age dependency ratio in today's more developed regions is projected to reach more than 50 by the end of this century (UN 2017).

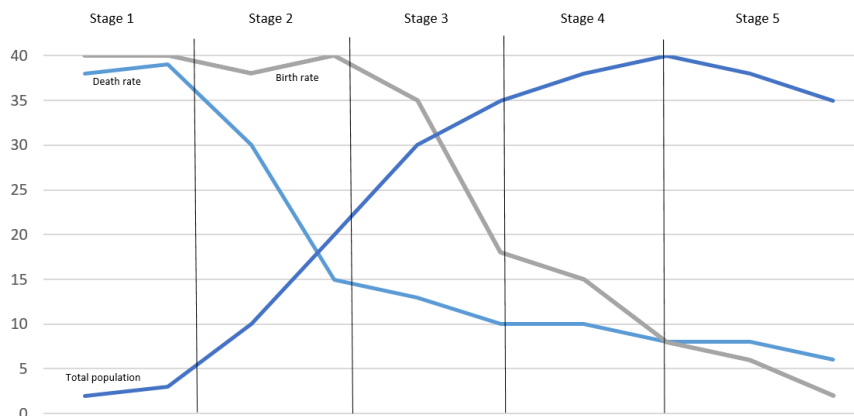
Many countries are facing very high demographic dependency ratios, labour shortage and, in some cases, even population decline (perhaps modified by immigration). Most countries have not yet solved the challenge of financing social security and elder care for the growing share of elders.

This development, which we will examine in the next section, is also known among demographers as demographic transition.

3.3 Demographic transition theory

Demographic transition refers to the movement of mortality (MR) and birth (BR) rates in a society (Rowland 2003). Since the 1920s, demographers have developed a five-stage demographic transition model (DTM), which refers to the transition from high BR and MR to low BR and MR, which commenced in Western Europe between the late 18th and early 20th centuries and has spread rapidly throughout much of the world.

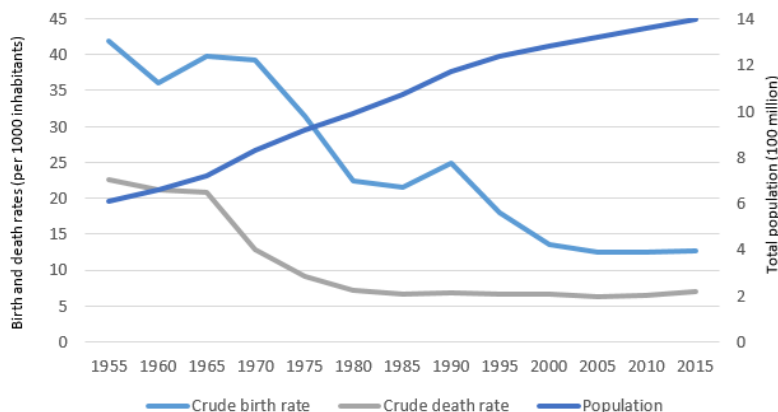
Figure 6 Five-stage demographic transition model



Source: made by author, based on Rowland 2003; Park and Allaby 2013; Thompson and Roberge 2015; Raymo 2015; Lesthaghe and van de Kaa 1986

The classic variant of the DTM consists of four stages (1–4; see figure 6). The fifth stage will be explained below. The model shows how BR and MR change through time in a particular country or area, giving rise to phases of population stability and change. In stage one, both fertility and mortality are high. In stage two, the MR begins to fall (usually due to, among other factors, better food supplies, improved living conditions and better healthcare), while the BR remains high. In stage three, better education, better family planning opportunities and better career options for women cause the BR to decline. By stage four, the BR and MR have converged and they oscillate around a relatively low level. By the year 2000, most developed countries had completed all four stages (Park and Allaby 2013; Thompson and Roberge 2015). As illustrated in figure 6, however, the time is ripe for a fifth stage. Stage five is what happens when the BR declines to the point where it is lower than the MR. Although several societies have reached this point, they are still just at the beginning of stage five, so what occurs in this stage remains an unsettled question. Japan might be the best case to explain this, as they achieved a negative population growth rate in 2010–2015. Germany is another example of a society that has reached this ominous point of intersection between BR and MR. The impact of net migration to Germany, combined with the generational lag time associated with demographic momentum, has kept the total population from declining.

Figure 7 China and the demographic transition model



Source: UN 2017

From figure 7, it appears that China has entered stage four; the population is still growing and the BR and MR are converging. If we consider China's demographic transition in light of the DTM, it supports the argument that China's one-child policy is not solely to blame for China's current demographic composition; rather, China was already entering stage three when the 'later-longer-fewer' policy was adopted in the early 1970s.

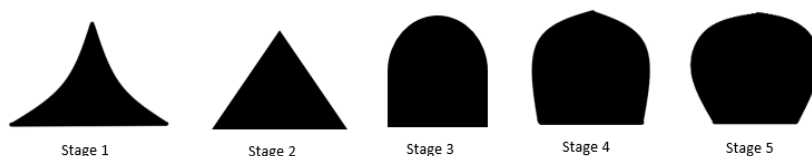
This model was developed on the basis of demographic trends in the European countries, and it has previously been criticised for being Eurocentric. However, considering that many non-European countries have developed according to the stages of the DTM, this criticism carries little merit today. Instead, the model can be criticised for being 'institution-blind'. It does not take into account different demographic trajectories for different welfare state regimes – although it is a core thesis in applied demographics that demography is also a dependent variable – depending on policies or institutions. The model also does not predict how long any regime will remain in a certain stage, just as it does not take into account migration. Due to these concerns, the model is mainly applied as a frame of reference to understand the current demographic transition in China in relation to other countries. This will be the focus of chapter 5. First, we will expand on the model.

It is evident from the DTM that demographers have previously focused mainly on gross population growth, while long-term changes in the age structure have attracted less attention. Consequently, the DTM has been formulated in terms of MR and BR. Following this model, when the MR begins to fall, without any corresponding

decline in the BR, the population will grow. Eventually, as the birth rate falls to the low levels typical of modern industrialised societies, the rate of population growth is once again reduced. However, if we turn our attention towards age structure, we see that the impact of the demographic transition on age structure is equally strong as its impact on population growth and vice versa.

These effects were (more or less) illustrated in figure 3 (population pyramids) above, which shows how the population age structure in China develops in phases: a child phase, a young adult phase, a phase of population maturity and ageing. This is also illustrated in Figure 8.

Figure 8 Population pyramids under the demographic transition model



Source: made by author

In stage one, the child phase, falling death rates produce an increase in the number of surviving children. As we move into stage two, MR falls while BR remains high; this increases the number of children, as the cohorts who survive into adulthood become larger and children are more likely to survive infancy. This results in a concave age structure some 30–40 years later (stage three). In stage four/five, most countries will not only experience a fall in TFR, but also a reduction in the total number of children born, resulting in an increasingly convex shape.

The process of demographic transition is always followed by a change in age structure. It is important to acknowledge this, as it allows us to analyse social and economic development in relation to that demographic transition. It also allows us to expand our comparative focus. The classic variant of the DTM addresses the nature of the long-term trend from large to small families; however, the model falls short in explaining contemporary low fertility and diversity in life cycle experience and family building behaviour in post-transition countries. This is where the fifth stage becomes relevant.

This stage was first acknowledged in the mid-1980s by Lesthaghe and van de Kaa (1986) under a different name – the *Second Demographic Transition* (SDT) in their seminal work ‘Twee demografische transitie (Second demographic transition)?’ This term was used to describe the emergence of sustained below-replacement fertility levels and accompanying new behaviours, values and attitudes in several European countries (van de Kaa 1987; Raymo 2015).

At the time, Lesthaghe and van de Kaa were not sure of this new transition that had been taking place before their eyes – as van de Kaa describes, they added a question mark in their title because ‘*we did not want to hide that uncertainty*’ (van de Kaa 2002, 4). Their reference to this second transition was motivated by the fact that fertility had fallen well below-replacement levels in many countries, a phenomenon that was not explained in classic demographic transition theory.

At the core of the SDT framework is an emphasis on ‘*dynamic interrelationships between fertility rates, a constellation of ‘innovative’ demographic behaviours and changes in values and life orientation*’ (Raymo 2015, 3486). In addition to below-replacement fertility, the SDT describes the following demographic changes as part of its framework: postponement of childbearing, decline in total marriage rate and increase in mean age at first marriage, increase in divorce, increase in cohabitation, increase in extramarital childbearing and a catalytic shift in contraceptive behaviour (van de Kaa 2002). Besides demographic changes, the SDT focuses on the role of shifting attitudes and values that can best be described as a move towards a view that family formation is something purposively selected for its role in self-actualisation under a wider spectrum of socially sanctioned choices, rather than an unquestioned part of life.

During the first transition (stages one through four), attitudes and values are dominated by concerns for the welfare and prospects of children, and fertility control was a response to large family sizes becoming a hindrance and disadvantaging parent in their goal of securing a better life for their child. In contrast, van de Kaa described the driving force behind the SDT as *individualism*, emphasizing the rights and self-fulfilment of individuals – the child is no longer the focus, but rather childbearing is an option to achieve self-fulfilment (van de Kaa 1987).

In other words, the opportunities available to support (a) self-fulfilment within the family and (b) new modes of families (e.g. extramarital childbearing and single parents) become key as we enter the SDT and the fifth stage.

Although this perspective is by no means universal, immigration does affect living arrangements, population growth, age structure and fertility rates (for a limited time). However, while we acknowledge the importance of immigration (in both donor and recipient countries) and the lack thereof, we believe that the relevant aspects can be captured in the somewhat open framework of the SDT. To incorporate this, we will briefly discuss the importance of immigration flow in some nations, as well as the lack thereof in countries such as Japan and China, in chapter 5.

CHAPTER 4. UNDERSTANDING THE CHINESE WELFARE STATE

The purpose of this chapter is to anchor Chinese welfare state development and examine the concept of ‘moderate’ universalism – our independent variable. First, we will detail the development of the Chinese welfare state from the ‘Iron Rice Bowl’ to the current development stage – namely ‘moderate’ universalism – thus providing the context for the longer historical trajectory of public welfare provision in China.

Second, we will examine the fragmentation mechanisms embedded in the Chinese hukou system. The hukou system is of great importance in understanding the challenges associated with welfare state development in China and in turn the magnitude of the demographic challenge. In this chapter, we will not dwell further on the citizenship discussion, as these are well documented in article A (‘The Hukou Divide: a Passé Construct?’) and B (‘Perceived Social Citizenship: a Comparative Study Between two Different Hukous’), but merely outline the current exclusion mechanisms embedded in the hukou system and thereby also appearing in the welfare system.

Third, we will detail the divides embedded in the welfare system and examine new challenges that have arisen due to rapid social development and extensive social policy reforms. Current research reveals numerous perspectives on how to interpret social policy reform in China; each strand offers a different view on the *‘changing nature of Chinese social policy in terms of the state’s retreat from (or return to) welfare responsibilities during the transition to a market economy’* (Shi 2012, 790). There are three main perspectives on which we will draw in this dissertation:

- (a) the ever-growing research field of social citizenship, which focuses on the development within the state-society nexus, based on a social rights approach to welfare disparities across the hukou divide (and beyond) in China (Solinger 2003; Shi 2012; Woodman 2016);
- (b) another body of literature focuses on cultural dimensions, with a specific emphasis on the role of the family in care-practices under Confucian values and practices (Cheung and Kwan 2009; Yunong 2012; Gruijters 2017); and
- (c) lastly, I will highlight a further group of studies that focuses on the development of social policy making in the shift from socialist to pluralist welfare production (Hu, Linsen, and Schmitt 2014; Kongshøj 2015a; Johansson and Cheng 2016).

Each perspective offers a distinctive viewpoint on the challenges posed by the current demographic transition in China. The three strands of literature are not easily separated; we cannot examine social citizenship in relation to demographic change without examining the key determinants of social citizenship such as Confucian values and welfare state development. Therefore, all three perspectives are taken into consideration in this dissertation.

4.1 From 'iron rice bowl' to 'moderate' universalism

Chinese social policy has experienced tremendous changes since the founding of the People's Republic of China (PRC) and has shifted from a highly centralised communist 'Iron Rice Bowl' regime into a socialist market economy. Briefly, one can speak of three phases of social policy development, which can be summarised under the following headings: the 'Iron Rice Bowl' period, 'small government, big society' and 'harmonious society'.

The first phase of social policy development, the 'Iron Rice Bowl' period, or the 'Maoist period', lasted until the opening up and economic reforms under Deng Xiaoping in 1979. Under the centrally planned economy in China, modelled after the Soviet Union, welfare in urban areas was guaranteed through the *danwei* (working unit). Each *danwei* functioned as a self-providing 'mini welfare society', where each individual received employment and income protection and enjoyed heavily subsidised welfare benefits and services, including housing, food, education and social security benefits for maternity, illness and old age. This system was highly employment-centred and made up of '*public ownership, full and lifelong employment, job creation, job assignment and restricted labour mobility*' (Leung 2005, 50).

The welfare system in China was 'danwei-centred' rather than 'state-centred'. The rural population obtained minimum security through public ownership of land and was for the most part self-reliant. The introduction of the hukou system in the late 1950s bound residents' social entitlements to their place of birth. The hukou system cemented the rural-urban differences that have persisted to present day.

The 'Iron Rice Bowl' guaranteed a stable standard of living through the work units, regardless of the effort put forth by the workers. The system came to be seen as a highly unproductive system after the introduction of market-oriented economic reforms in 1978.

The second phase of social policy development lasted from the initial steps of economic reform in 1979 until the late 1990s. During this period, there was a focus on market-oriented flexibility, competitiveness and cost-containment. Previous welfare arrangements eroded, and attention to social security and the role of the state in the responsibility for citizen welfare were virtually abolished. The overall trend of this phase was marked by state withdrawal and increased out-of-pocket payments (Kettunen, Kuhnle, and Ren 2014). Although the phrase 'small government, big

society' (*xiao zhengfu da shehui*) was never publicly proclaimed as a slogan by China's top leaders, the term made its mark in the discourses of government bodies, academia and the media in relation to the social policy reforms of the late 1980s and 1990s. Faced with the prospect of the welfare responsibilities caused by the erosion of the 'Iron Rice Bowl', the Civil Affairs authorities decided to promote the initiative of 'socialisation of social welfare' (*shehui fuli shehuihua*) in the mid-1990s. Unlike direct provision, as under the *danwei* system, 'socialisation' referred to '*push(ing) the society and the people to carry out their affairs by themselves with the advocacy, regulation and subsidy of the government*' (Lei and Walker 2013, 20).

Unemployment had been almost unheard of in the employment-centred welfare state; however, one of the more noticeable consequences of the erosion of the 'Iron Rice Bowl' was the eruption of unemployment, which peaked at 10 to 12 per cent of the urban population after the turn of the millennium (Kongshøj 2015a). The combination of high unemployment and the erosion of existing welfare services and goods created the backdrop for widespread social protests ignited by the additional social risk due to unemployment or less secure and protective employment. The protests emerged from a wide spectrum of pressing issues and catalysed a social policy reform that pushed Chinese social policy development into its third phase. To keep their legitimacy, Chinese policymakers had a sudden discursive turn with ideas of a 'harmonious society', and in 2007, the Ministry of Civil Affairs stated their aspiration to promote 'moderate' universalism in China (*ibid.*) with the following statement:

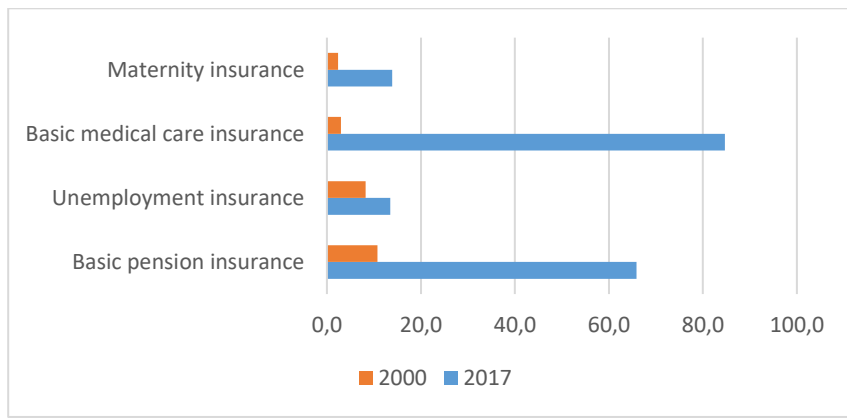
'In order to speed up the development of social welfare in China, China will promote the transformation of a welfare model from 'residual type' to 'moderate universalism' "

The Ministry of Civil affairs (2007) translated in Pan (2019, 22).

China thus entered the third phase of social policy development. The third and current phase can be said to have started after Hu Jintao and Wen Jiabao took power in the late 1990s and early 2000s. Both the political rhetoric and practice changed, shifting the focus from pure economic growth-oriented policies towards a more sustainable and socially equitable approach – a move towards a 'harmonious society' (*xiaokang shehui*) (Kettunen, Kuhnle, and Ren 2014). The Chinese welfare state has been growing at an unprecedented speed since this shift and has played an integral part of the ideology of the communist party as a key factor in their political targets and discourses (Kongshøj 2015a). There has recently been a discursive turn in the Chinese government: the need for social policymaking has been framed in vague terms such as 'putting people first' or 'equalization of basic public services' (Ngok 2015). However, despite the ambiguity of the Chinese dream to build a 'harmonious society', it is evident that it is also a dream where the consequences of social risks such as unemployment, poverty or illness are alleviated, as well as one where inequalities in the population are less pronounced (Kongshøj 2015b).

Accordingly, a great number of social policy initiatives have been adopted in the last 15–20 years. The main accomplishment, however, has been in expanding coverage to a much larger share of the population (see figure 9).

Figure 9 Expansion of social insurance coverage in China 2000–2017 (percentage of total population)*



Source: NBS 2018

*Total population in 2000 = 1,267,430,000 and 2017 = 1,390,080,000

There is no doubt that the expansion of coverage shown in figure 9 is impressive. During this period, unemployment insurance coverage expanded by 5.3 percentage points (83.758.000 people). Maternity insurance extended coverage from 2.4 per cent of the population in 2000 to 13.9 per cent in 2017, basic medical insurance was extended from 3 per cent to 84.7 per cent of the population and lastly, basic pension insurance was extended from 10.7 per cent to 65.9 per cent of the population during the same period.

These social policy reforms – and the substantial increase in coverage – signify a shift towards inclusiveness. The policies target some of the most vulnerable groups, not least rural residents, migrant workers and the unemployed. The aspiration to build a ‘harmonious society’ through the adaption of universal principles clearly reflects a more rights-based approach to assessing access to public goods than was the case during the previous two phases of social policy development in China. Despite great progress, however, old divides have persisted in this new era of welfare state development, just as new social challenges have arisen, not least those predicted to accompany the looming demographic crisis.

We have briefly mentioned the hukou system above. However, the hukou system is considered by many (see e.g. Frazier 2010; Shi 2012; Gao, Yang, and Li 2013; Saich 2017) to be one of the most prevalent challenges for Chinese social policy making at

this time. In some ways, it forms the foundation of the welfare system, as it determines ‘who get what, when and how’ and is a determining body of social citizenship. Due to its importance, we shall briefly examine the fragmentation mechanisms embedded in the hukou system in the next section.

4.1.1 The hukou system and ‘the floating population’

The Chinese hukou or household registration system was originally set up to control population movement. However, the system has developed into an institutional logic of welfare segregation, as it segregates the population in terms of social rights according to their birthplace by assigning agricultural and non-agricultural hukous to individuals (Solinger 2003, 2006; Zeuthen 2012; Long and Li 2016). On a deeper level, it defines social citizenship through the exclusion of some groups from certain social rights (Frazier and Li 2017; Saich 2017; Jensen 2018). The hukou system not only imposes an inferior citizenship status in terms of welfare entitlements and social rights (Jensen 2018), but through active and passive social exclusion it also imposes *perceptions* of inferior social citizenship among the Chinese population (Jensen 2019). Not only are rural resident marginalised in relation to welfare state entitlements, the inequalities embedded in the hukou system are likely to constrain the agency freedom of rural residents, especially elders, in pursuing goals, that subsequently undermines their opportunity equality (ibid).

The hukou system is tantamount to a form of dual social citizenship within the Chinese population. Indeed, the system bears some similarity to the discussion of citizenship rights in the EU between national populations and migrant workers from other EU countries (Kovacheva et al. 2012; Jensen 2018). Still, it constitutes a unique form of social citizenship in China, one in which a large share of the population is not privy to full citizenship.

The hukou system has been relaxed in recent years and Shi (2012, 796) argues that ‘*The distinction of urban-rural resident status seems to be losing some of its defining power for social citizenship*’ and that the demarcation mechanism of the ‘within-without’ divide is changing its function from rural-urban to inter-regional. As harmonisation takes effect, status separation will be obliterated. However, while this is true for some regions, we should not underestimate the scope of the hukou system: the rural/urban distinction remains significant. A number of policy initiatives designed to reduce discrimination against rural-to-urban migrants have been enacted in the third phase of welfare state development in China. The largest of these programmes is the ‘New National Urbanisation Plan (2014–2020)’, which was the first national policy strategy on urbanisation. Subsequently, the State Council presented the ‘Suggestions for Advancing the Reform of the Household Registration System’ in July 2014 and laid out plans to relax the hukou system. While this has been considered a great step in minimising the inferior citizenship status rural residents, it will not change the conditions for migrants living in the largest cities in China, as access to urban hukous in megacities will remain strictly controlled (Chen

2017). The new policies aim to provide a decent standard of living for China's rural population, especially the growing rural-to-urban migrant community.

Recently, the main focus surrounding the hukou system has been the 'floating population' that consists of almost 250 million migrant workers (NBS 2018) living in urban areas with a rural hukou, which in many instances excludes them from urban welfare (Li 2017) and forces them to acknowledge their '*marginal citizenship status*' (Chen 2017, 203). Being fully aware of their marginal citizenship status in urban areas, migrants are generally hesitant to identify themselves as urban citizens (Woodman 2016; Woodman and Guo 2017).

Rural-to-urban migrants are subject to structural and policy barriers due to the persistent institutional segregation of social security determined by the hukou system (Solinger 2006; Chen 2017). The Chinese population thus remains locked into vastly different socio-economic structures in terms of access to public goods and services. Although the system has become more permeable, social citizenship is still rarely granted to migrants in major cities (Saich 2017; Woodman and Guo 2017).

How the issue should be handled has been the subject of some discussion. Cai (2011) has argued that the issue can be endured and that ageing – represented by a dwindling workforce – might be a driver for harmonisation, as labour market competition between migrant workers and urban workers will recede and migrants could gain equal access to social welfare. However, this argument seems very optimistic. According to Frazier and Li (2017), several Chinese scholars have argued that hukou reform to provide all urban residents with equal rights and obligations to social insurance, could mitigate the problem of population ageing through urbanisation, which would make it possible to use the demographic dividend and potentially strengthen the social security system in China. This would, however, require reform of the hukou system that would focus on providing social benefits to migrants to encourage them to settle in cities. This line of reasoning could, however, potentially worsen the conditions in rural areas, as the issue of left-behind elders could be greatly exacerbated.

4.1.2 Institutional fragmentation: the pension system

As an example of the institutional fragmentation of the hukou system, we will briefly examine the social exclusion mechanisms of the pension system in terms of migrants. In articles A (The Hukou Divide: a Passé Construct), B ('Perceived Social Citizenship': a Comparative Study Between two Different Hukous) and C (Pension reform in China: what can China learn from the Danish approach to demographic change?), we have examined the social exclusion mechanisms of the pension system (among others) in terms of rural residents in general.

The pension system has recently been tremendously expanded, especially with the addition of the 'New Rural Pension Insurance', which in 2014 was merged with the

‘Urban Employee Basic Pension System’ and now makes up the new ‘Urban-Rural Resident Basic Pension System’. Benefit levels are still very low relative to the ‘Urban Employee Basic Pension system’ and the pension system for civil servants and public employees. There is also major concern about the sustainability of local government subsidies, and much effort is needed to improve the service and management of the new ‘Urban-Rural Resident Basic Pension System’. For a detailed description, please see article C (‘Pension reform in China: what can China learn from the Danish approach to demographic change?’).

The weakest link in China’s pension system is the basic pension insurance for migrant workers; by 2013 only 30 per cent of migrant workers were insured (Frazier and Li 2017). The 2009 government Resolution for Basic Old-age Insurance for Migrant Workers (*nongmingong canjia jiben yanglao baoxian banfa*) proposed setting up an independent pension scheme for migrant workers that would allow for lower contribution rates. However, later that year, another government document, the ‘Interim Procedures on the Transfer and Continuation of Basic Old-Age Insurance Relations for Urban Enterprise Workers’ (*chengzhen qiye zhigong jiben yanglao baoxian zhuanjiexu zanxing banfa*), established that migrant workers were to be included in the ‘Urban Employee Basic Pension system’, and were made to pay the same higher premiums as urban workers, despite their significantly lower wages (ibid.)

Although the intent was to integrate migrants in cities and help them to settle permanently, fragmentation has created vast institutional barriers for the transferability and continuation of pension accounts. Migrant workers, in turn, are discouraged from joining and continuing pension programmes.

The current set-up of pensions for migrants have many disadvantages, here among: (a) higher premiums deter employers from covering their workers; (b) lack of transferability discourages job mobility; and (c) migrants cancel pension accounts to avoid losing access to the locally paid social insurance contributions.

4.1.3 Old divides and new challenges

Armed with a basic understanding of the development of the Chinese welfare state and the hukou system, we can begin to uncover the problems that have persisted through the extensive welfare state development in China, as well as the new divides that have arisen in the aftermath. China has taken important steps towards increasing coverage and securing adequate social protection, but access to public welfare is still marked by old divides (Ngok 2015). Despite significant progress, major challenges still persist for this new ‘moderate’ universal welfare state. Social benefits have not kept pace with the general increase in income; the minimum standard of living scheme (MSLS) allowance is in some ways more comparable to the stigmatising ‘Poor Laws’ of the 19th century in the Western world, the health insurance schemes are not equipped to meet actual needs and the pension system remains fragmented and inadequate, among other concerns (Shi 2012).

Lastly, and most important, the persistent institutional diversity of social security that has persisted since the 'Iron Rice Bowl' period remains problematic. This is mainly evident in rural China as a product of the rural-urban divide that has plagued China since the 1950s. A major challenge persists in balancing the supply of public goods and services in both urban and rural areas due to the longstanding segregation in healthcare, infrastructure and education (Shi 2012). This segregation has been attributed by many (Shi 2012; Zeuthen 2012; Gao, Yang, and Li 2013) to the hukou system. Despite great progress, China's rapid economic growth has been accompanied by greater income inequality, where many rural households are still working for subsistence and basic livelihood (Lam and Liu 2014).

While these disparities are thought to have been diminished in recent years as a result of the newfound focus on the most vulnerable groups in society, they continue to thrive among the migrant masses, creating broader social disparities and continuing the longstanding urban-rural divide (Shi 2012).

During the process of welfare state transformation, China's social security and welfare system has lagged behind the country's economic growth. New problems have also arisen, including a widening income gap, aggravated social stratification, discrimination of migrants and left-behind children and elders.

We should note that not only has provision of social welfare lagged behind economic development, but the institutional design of the Chinese welfare state is also relatively inadequate. Decades of economic growth have raised the living standards of Chinese citizens, but this rapid economic ascendance is challenging sustainable development in China, primarily in the context of high inequality, rapid urbanisation and internal migration. These increasingly severe social issues have highlighted the inadequacies of China's social security and welfare system.

China's demographic challenge is another issue that will become increasingly important. As mentioned in chapter 3, the Chinese population is still relatively young; however, China's old-age dependency ratio and life expectancy at birth suggest that they have entered an era of longevity. At the same time, the rate of population ageing has greatly accelerated, which will intensify pressure on society and deepen the need for sustainable social welfare reforms.

CHAPTER 5. WELFARE IN AN AGE OF DEMOGRAPHIC CHANGE

In this chapter, we argue that demographic transition theory is basically institution blind. Comparative welfare state theory, on the other hand, focuses on institutions and their impact. Accordingly, we briefly include a broader comparative context based on Esping-Andersen's classification of the three ideal-typical welfare regimes. Except for the speed of transition, the challenges for the Chinese welfare state are not unique, and they are better understood when seen in a comparative perspective, including the difference between universal/social democratic and corporatist/conservative welfare regimes. The corporatist regimes have faced extraordinary trouble in handling demographic change.

Finally, this chapter will end with a brief exposition on universalism in general, which will be used as a frame of reference to situate 'moderate' universalism within the general universalism literature. This chapter will draw on the experiences of the Scandinavian countries in terms of universalism, but the wider Scandinavian context will be omitted. A discussion of the Danish context and policy framework is discussed in relation to China in article C ('Pension reform in China: what can China learn from the Danish approach to demographic change?'). However, China's attempt at a 'moderate' universal welfare state and the current Sino-Nordic policy dialogue allows us to make assumptions about the direction and meaning of 'moderate' universalism compared to the more 'traditional' understanding of universalism in the Scandinavian countries. It is a matter of compare and contrast, although China and the Scandinavian countries are unlikely companions.

5.1 Welfare regime theory: 'pension reform begins with babies'

A crucial point of modern welfare state theory is that welfare not only differs in terms of public expenditure levels, but even more so in institutional terms. Esping-Andersen (1990) identified three ideal-typical welfare regimes, clustering social provisions between state, market and family: liberal, social democratic and conservative. These names are based on the political forces behind them; in the present context it is more meaningful to refer to the relevant welfare models, so we refer to the following labels: residual, universal and corporatist.

The residual welfare state is commonly associated with the welfare states of the USA, Australia and Canada and is characterised by *'means-tested assistance, modest and inadequate universal transfers, or modest social-insurance plans predominate. Benefits cater mainly to a clientele of low-income, usually working-class, state*

dependents' (Esping-Andersen 1990, 26). The universal welfare state is most often associated with the Scandinavian countries; the guiding principle is universalism and decommmodification of social rights to promote equality. In corporatist welfare states such as France, Germany and Italy, the state holds priority over the market, but relies on and supports the family as the main provider of welfare (ibid.).

Classifying the East-Asian welfare states is not as straightforward. First, these welfare states have been given many different labels, such as 'Confucian', 'productivist', 'oikonomic' or 'developmental' (Kuhnle 2011; Abrahamson 2017). What is common, for the most part, is that social policy is subordinate to the market and family. There is also a high degree of welfare stratification and low decommmodification. Due to these traits, Esping-Andersen (1997; 1999) considers the East-Asian welfare regime as a hybrid between the corporatist (high welfare stratification) and the residual (low-level of decommmodification) regime types. The East-Asian welfare states also rely on familialism, which in practice bears traits of the Catholic subsidiarity principle, according to which welfare is only an option when all other resources have been exhausted. The best example of this is the 1950s policy of the 'three nos' (*sanwu*) in China, which ensured that those afflicted by the 'three nos' – those with no source of livelihood, no legal supporter and no work ability – were entitled to social assistance. This was later replaced by the *dibao* system, although in many places the criteria of the 'three nos' persisted well into the 2000s in some form or another (Solinger 2018).

Jones (1993, 214) sum up the essence of the East-Asian welfare regimes:

'Conservative corporatism without (Western-style) worker participation; subsidiarity without the church, solidarity without equality; laissez-faire without libertarianism: an alternative run in the traditional style of a would be traditional, Confucian extended family.'

In the following, we will treat the East-Asian welfare regime as a hybrid, following Esping-Andersen (1990; 1997; 1999). Although we also acknowledge that as a hybrid, the essence of the East-Asian welfare regimes is not captured in Esping-Andersen's 1990 'three worlds' model and as such, we will consider it independently under the label 'East-Asian hybrids'. We are by no means arguing that all traits of the East-Asian welfare regimes are captured under this label – just as with the original three welfare models, it is an ideal-type.

The criteria of social rights are vastly different in the four ideal-typical welfare regimes. In corporatist welfare states, entitlements depend on contributions from an 'achievement-performance' principle. This is also the case in the East-Asian hybrid regime, though social rights are not nearly as extensive as in the corporatist regime. Within the residual model, public welfare is based on the 'Robin Hood principle': support is targeted at the poor. In universal systems, the basic criterion is citizenship. All citizens for whom support is relevant are entitled to receive it. As explained

earlier, universalism is oriented towards equal citizenship rather than full equality – enabling all citizens to participate in social, political and cultural life.

In terms of their conception and evaluation of social policy and decommodification, these welfare regimes differ in various ways. Esping-Andersen (1990, 47) makes the following specifications:

It is in the quality and arrangement of social rights, not in their existence per se, that we can identify a distinct social approach. In contrast to the conservative models, dependence on family, morality, or authority is not the substitute for market dependence; the notion is rather that of individual independence. And, in contrast to liberalism, socialism's aim is to maximize and institutionalize rights. Where the fully developed socialist paradigm is pursued, it should, in principle, facilitate a deproletarianization of the worker's status: the worker's relationship to work will begin to approximate what privileged strata (such as the civil service) had enjoyed for decades and even centuries.

In other words, how the responsibility of providing social welfare is distributed between state, market and family determines how social rights are manifested in society. It also greatly affects who bears the burden of demographic change and how society is set up to handle demographic change. Welfare states differ significantly regarding their approach to demographic change. Due to large differences in fertility rates and net migration, countries are facing vastly different futures of ageing. How they meet the challenges of today will influence how severe these changes will be in the future.

The universal Scandinavian welfare states, in particular, have been proactive, both in changing their pension and retirement systems and introducing pro-natal policies. Not least because of the perceived challenge of ageing, the Scandinavian countries have reformed their pension and retirement systems, increased labour supply and introduced pro-natal policies that, alongside net immigration, are ensuring that the changes in the demographic structure will be less pronounced than in most other European countries. This has, roughly speaking, secured the '*foundations of the universal Nordic welfare model*' (Andersen and Hatland 2014, 285).

Many ageing countries have adopted encompassing policy reforms to address their demographic challenges. This includes initiatives to stimulate labour supply, initiatives to postpone retirement, pension reforms with higher pension age, lower pensions or both. However, the policy choice among many countries experiencing low fertility rates has been the adoption of pro-natalist policies – that is, policies that advocates child bearing. Such measures include longer maternity and/or paternity leave, fertility allowances and government-subsidised childcare, and so forth. Regulating fertility is a solid strategy for meeting demographic changes, as stated by Esping-Andersen: '*pension reform begins with babies*' (Esping-Andersen 2009, 9).

Uncertainty remains, however, about the best strategy to regulate fertility; some countries provide incentives via cash benefits, while others provide high quality and affordable childcare facilities.

While increasing fertility rates could provide stability in the end, there is no doubt that a more encompassing policy scheme is necessary in the short term. Investing in healthcare, promoting gender equality and improving pension coverage and generosity are important initiatives to aid the demographic transition. In terms of demographic change and in light of the demographic transition, the utmost social challenge faced by welfare states is insufficient childcare – however, as the demographic composition of many traditionally family-oriented welfare states is becoming increasingly skewed with a greying population, elder care has also emerged as an important social challenge.

De-familialisation is a trend that has swept across all four welfare regime types. Family structures have changed from single-earner families towards dual-earner families. Meanwhile, this is not surprising as the SDT framework emphasised ‘“innovative” demographic behaviours and changes in values and life orientation’ as a key part of its framework. This dimension was adopted in a later version of Esping-Andersen’s theory (Esping-Andersen 1999). The traditional family structure has been eroding everywhere, even in corporatist regimes where conservative policies have aimed at maintaining the male breadwinner model; women have massively entered the labour market. The same is true in the East-Asian hybrid regime, where the practice of filial piety is being challenged by demographic change and changes in family structure and values.

Welfare states are faced with two large economic challenges: first, sustaining pressure for improved public childcare and second, low fertility rates that contribute to aggravate the issue of ageing. Not all regimes are fit to meet these challenges, as stated by Andersen (2012, 20) ‘*While the Nordic countries have solved these problems, most welfare states muddle through with some improvements in a context of long-term austerity.*’ Although it should be noted that many welfare states are improving at this time.

Scandinavian countries were first to change their tax system towards treating the individual as the basic unit, rather than advantaging families that have their income concentrated on one person. This process was deliberately delayed in corporatist welfare states, but pressure from well-educated women and daunting demographic forecasts have created a push towards modernisation and a change in family values (Andersen 2012). A lack of childcare facilities has resulted in low fertility – which in turn aggravates the long-term challenges of ageing populations (Esping - Andersen 1999). In residual welfare states, women’s labour market participation has been welcomed, although it has not been much supported by high-quality, affordable public childcare facilities (Andersen 2012).

While fertility is one major factor in the relationship between demographic change and the welfare state, another is immigration. As mentioned earlier, Germany and Japan are both examples of countries that have long ago reached the worrying point of intersection between BR and MR. Their challenges are vastly different, however, mainly because of immigration. In Germany, net migration combined with generational lag time has kept the total population from declining with a somewhat extraordinary population growth rate of 0.4 in 2017 (WB 2017). Japan has some of the strictest immigration policies in the world, and although they have experienced a net growth of foreign residents over the past six years, mainly originating from other East-Asian countries, the total population is declining with a growth rate of -0.2 in 2017 (WB 2017). Japan also faces an additional challenge. Although Japan was the first country in the world to reach the second demographic transition turning point, this change in family values, as mentioned earlier, has manifested differently in Japan compared to many other countries, as cohabitation and extramarital births are rare. Marriages continue to be late and fewer people are getting married (van de Kaa 2002). The reason is likely that, under present conditions, marriage is not a very attractive proposition for Japanese women, as long as a non-cohabitating relationship offers a decent alternative.

Though we classify the East-Asian welfare states as a 'hybrid' between the residual and the corporatist model, China has aspirations of achieving a 'moderate' universal welfare state, as mentioned earlier. However, 'moderate' universalism as a concept in Chinese policymaking lacks a coherent definition and, at this point in time, it may merely be a discourse or aspiration. Nonetheless, the concept plays a pivotal role in current policy reforms in China and could potentially play an important role in China's future demographic situation, as universalism supports an institutional setup that is well-adapted to handling demographic change (Andersen & Hatland 2014). Rather than attempting to define the concept, however, we shall examine it as a contextually dependent phenomenon. Given the varieties of historical, political, social and economic prerequisites, not to mention cultural contexts, there are many different understandings of universalism.

5.2 'Varieties of universalism'

Universalism is a concept that has been commonly used in social policy and welfare state literature since the 1950s. Universalism came about as an attempt to break with the stigmatisation of poor relief and dispersed insurance funds by creating social insurance that covered the entire population. The concept later developed into encompassing the promotion of equality and solidarity between classes and between men and women through universal access to social goods (Anttonen, Haikio, and Sipilä 2012).

As mentioned above, universalism is most often associated with the Scandinavian welfare state model (Esping-Andersen 1990) and by some it is even considered synonymous with words such as 'Nordic', 'Scandinavian' and 'social democratic'

(Anttonen, Haikio, and Stefánsson 2012). This has also been made obvious by the Chinese interest in the Scandinavian countries and the uprising of a Sino-Nordic policy dialogue. This has led to a curious fallacy according to which characteristics of the Scandinavian model come to be regarded as features of universalism. However, being Scandinavian cannot itself be a criterion of universalism, as specified by Stefánsson (2012).

Despite this, the Scandinavian countries are seen by many as the realisation of the universal welfare model, characterised by, among other things, a comprehensive system of municipal care arrangements for the elderly and children. The state guarantees childcare, ensuring that parents can secure care in public nurseries or kindergartens. The Scandinavian welfare states promote equality and solidarity between genders, classes and regions through universal access to public services. The Scandinavian countries have established relatively developed and comprehensive welfare systems and a policy framework under the influence of the collective bargaining of labour unions. Providing social welfare to all members of society also reflects a nation's acknowledgement of their responsibility in building up the welfare state and in promoting social equality.

As discussed above, even in Scandinavian countries, however, we cannot speak of universalism as a single concept; rather, we must speak of 'varieties of universalism', as the Nordic welfare states in practice do not fulfil all of their universalistic ambitions (Anttonen, Haikio, and Stefánsson 2012, 187). The Scandinavian welfare states have been clustered based on similarities in their institutional designs, but it is important to recognise that, despite similarities, these welfare states are different.

Rothstein (Rothstein 1998) has argued that universalism, understood as a given policy applied to everyone, could be extended to cover entire welfare systems. In this sense, the more social goods or programmes that are universal, the more universal the welfare state is considered to be. In this view, we must allow for varieties of universalism, or at least an understanding that universalism is a matter of degree at the welfare system level. By this definition, there are welfare states that are either more or less universal – and Scandinavian welfare states are among the more universal. When universalism is used in terms of national welfare models rather than as a characteristic of a specific benefit, it becomes more complex and thus less precise. Erikson et al. (1987, viii) described this phenomenon in relation to the Scandinavian model:

'Social policy studies [...] have repeatedly demonstrated that the Scandinavian Model looks better on paper than in real life and that it does not always perform according to its ideals. [...] Many social programs are less universal than the ideology would suggest [...].'

What Erikson et al. argue is that universalism, even in the Scandinavian model, is an ideal or an ideal type. This ideal of universalism has inspired the construction of the

Scandinavian policy model and the way in which benefits are distributed; many social policies within the Scandinavian welfare states can be described as being universal, but not all of them. The Scandinavian model refers to the egalitarian outcome of policies that strive to uphold the universal ideal. It is an outcome in which marginalised groups become part of the social policy contract. This approach to universalism is considered a consequentialist understanding of the concept, while others are considered procedural. The difference lies in the understanding of whether universalism should be defined by how social goods are distributed or by the outcome of set distribution (Anttonen, Haikio, and Stefánsson 2012).

Anttonen, Häikiö and Stefánsson (2012, 187) argue that, despite the historical significance and widely discussed nature of universalism, it has never been complete.

‘Historically universalism has been favoured as a means to achieve efficient social administration, unconditional security for people with low incomes, social integration and social cohesion of a society [...]. However, universalism is not a panacea. It does not supersede targeted social protection and third-sector charity. The concept itself is open to contextual reinterpretations and decontestations. This suggests that universalism has never been complete. It is rather an ideal type that is always beyond reach.’

When we talk about ‘contextual’ reinterpretations it refers to universalism as a ‘spectrum’, however, it also refers to the concept of ‘sufficiency’ of welfare benefits. What constitutes full membership of a community is highly different in different societies and subject to change over time. As argued by Andersen and Larsen (2015), to have a computer and access to the internet was once a luxury good; today, however, in many parts of the world at least, such access is considered a necessity to fully participate in society.

Sufficiency is understood in line with Marshall’s (1950) notion of social citizenship. According to Marshall, social rights refer to what is needed by citizens to be acknowledged as full members of a community, to fully share in the social heritage and to live a life according to the prevailing standards in society. Embedded in this understanding is the rationalisation that individuals can live a life according to prevailing standards where they do not find it necessary to supplement their social services through market offers (ibid.). This is supported by Titmuss (2006, 129, emphasis added), who described the introduction of universalism as such:

*‘One fundamental historical reason for the adaption of this principle [universalism] was the aim of **making services available and accessible to the whole population in such ways as would not involve users in any humiliating loss of status, dignity or self respects.** There should be no sense of inferiority, pauperism, shame or stigma in the use of publicly provided service.’*

It is clear from Marshall and Titmuss that the essence of universal benefits is to provide the population with a dignified life, rather than 'survival'. Such a life allows them to take part in society and enjoy a full citizenship status according to the general standard of living in that given society, and furthermore, they should be able to do so without experiencing stigma, hardship or need.

In this dissertation, we view universalism as a spectrum rather than an ideal; furthermore, we assert that universalism should inspire egalitarianism and account for a person's position in the human life-circle. Lastly, we consider some degree of adequacy necessary for the concept of universalism to serve as a useful analytical tool in practical research. This brings the concept closer to Marshall's notion of (full) social citizenship. However, we also reserve the right to view universalism as a concept that is contextually and historically dependent. In line with this thinking, we will examine the Chinese concept of 'moderate' universalism, with the acknowledgement that universalism is an ideal type and to some degree open to interpretation.

As China has looked towards the Nordic countries in an attempt to build a 'moderate' universal welfare state, we must assume that they have an understanding of universalism as consequentialist rather than procedural. Consequently, we must assume that the intent behind major Chinese welfare state reforms is to secure more than the margin of subsistence for their citizens. We will examine these assumptions further in the next section.

5.2.2 Teething troubles – a universal welfare state in the making?

As explained in chapter 4, China's recent social policy agenda has shifted towards the inclusion of larger proportions of the population, as well as the most vulnerable groups in society. However, we might question whether the development of the Chinese welfare state is following Scandinavian (i.e. universal) patterns of welfare state development. There are similarities in the desire to create policies with an egalitarian focus and widening the scope of state responsibility for welfare. However, the underlying understanding of welfare might be different, as are the social challenges faced by China and the Scandinavian countries.

China has made great strides in expanding public welfare goods to all citizens. This is above all evident within the field of healthcare. Over the past decade, the Chinese government has adopted programmes such as the Urban Employee Basic Medical Insurance (UEBMI), the New Rural Cooperative Medical Insurance (NRCMI) and the Urban Resident Basic Medical Insurance (URBMI). These schemes have incorporated the working population as well as the non-working urban and rural resident into the health insurance system and resulted in a dramatic expansion of social health insurance coverage. As shown in figure 9, 'basic medical insurance' coverage has been extended to 84.7 per cent of the population in 2017.

At the same time, there has been a substantial increase in generosity (measured by per capita expenditures for social health insurance). A study conducted by Huang (2015) concludes, however, that this expansion has been remarkably uneven across regions in China, both in terms of population coverage and generosity. Huang reports that the compensation rate in the period 2007–2010 varied from approximately 400–1852 yuan/person across the country. Despite this, Tang et al. (2012) have noted a decline in private expenditure after the enactment of the UEBMI, NRCMI and URBMI, which can only be considered an important step in the pursuit of universalism.

Another important step has been taken regarding the minimum living standard scheme (MLSS), which is an important move towards social inclusion in China. First, under the MLSS, the government takes responsibility for unemployment protection. Second, the emergence and universal implementation of the MLSS indicates a substantial development in terms of social rights. Third, efforts have been made to achieve transparency, justice and efficiency in policy implementation (Xiong 2014). The scheme is a step closer to a universalist principle of assistance. However, we should not exaggerate the impact of the scheme, because it remains implemented at the local level and is thus subject to local fiscal conditions, as well as local political willingness to enforce the policy. The cash-benefit level is also not considered generous enough to help the poorest residents out of poverty, as the replacement level is quite low and the incentives structure could result in perverse incentives. There is also a low degree of integration between the MLSS and other social policy schemes (Xiong 2014).

If we view universalism as a spectrum, it appears that China has become more universal. However, in China the system is highly fragmented and social rights are defined and redefined at the local level, which means that universalism is likely to develop differently in different areas. This very subject is at the core of the aforementioned article by Huang (2015), which states that the explanation for subnational variation in China's social health insurance is a result of central and local leaders' policy choices. These policy choices stem both from a purely rational choice perspective – namely self-gain based on the desire to stay in power – but also from the desire to create a system that reflects the varying social risks existing across the country and to accommodate diverse local circumstances.

‘Central leaders, who care about regime survival and stability, delegate substantial discretionary authority to local state agents to make coverage and generosity policies in social health insurance. They do this in order to accommodate diverse local circumstances while maintaining a hierarchy in social welfare provision that favours groups with political connections and influence. Under the framework set up by the centre, local officials, mindful of their political careers in the centralized personnel system, proactively design and implement social welfare policy according to local socio-economic conditions and to prevent social unrest in their

jurisdictions, which could put their career prospects in jeopardy. This results in differing levels of coverage and generosity in social health insurance across regions which reflect the diverse local socio-economic conditions, particularly local fiscal resources and social risk.'

(Huang 2015, 470-471, emphasis added)

The massive disparities in coverage and generosity across China are also reflected in the rampant 'welfare chauvinism' that has come about as a result of unequal developments and living standards across the rural/urban boundary, facilitated by the hukou system, and between regions and provinces. The current large-scale internal migration in China does at times trigger a heuristic of deservingness, which divides the population into first- and second-class citizens – not unlike the discussion of citizenship rights of migrant workers in the EU (Kovacheva et al. 2012; Kongshøj 2017; Jensen 2019).

China is a unique country both in size and in terms of its internal developmental span. Just as it is not possible to talk about universalism as a single concept covering the Scandinavian countries, the same is true (and even more so) in China. There have nonetheless been attempts at building a 'moderate' universal welfare state, but not in the same way as we know it from the Scandinavian countries. Not surprisingly, Chinese history and culture play a pivotal role in this definition, just as was the case in the Nordic countries.

When explaining the arrangements and trajectories of social welfare development, the society's history, culture and institutions play an essential role (Rothstein 1998). Some also argue that ideas, norms and values determine the paths of welfare regimes. Compared with the Scandinavian welfare states or European welfare states in general, China is a latecomer to social welfare development and, as specified in section 4.1, their social development strategy has changed substantially several times. It is only in the past decade or so that there has been a growing interest in comparing different welfare systems and states.

In China, welfare was mainly regarded as a residual public provision beyond the family, and only recently have people begun to feel that it is problematic that the government does not bear more responsibility when family and informal social networks do not meet the needs of individuals (Xiong 2014). It is this change in the population that has sparked the development of a harmonious society.

In recent years, China has moved towards building a harmonious society and a welfare state built on 'moderate' universalism by maintaining a balance between economic growth and social development through the implementation of a wide range of social policy schemes. China's Eleventh Five-Year Plan for 2006–2010 in particular focused on building a harmonious (socialist) society by emphasising the expansion of welfare policies. Although the Chinese welfare system is more than a

legacy of Confucianism, these values have played a major role in recent policy reforms. The use of the term ‘harmonious society’ is an obvious reference to Confucian teachings. Following Solinger (2015, 977-978):

‘Much has been made of the recent revival of Confucianism in the People’s Republic of China (PRC), with its renewed promotion by the country’s political leadership since the turn of the century. Among the chief teachings of that doctrine is the principle that the government has an unshakeable mission to “nourish the people” (yangmin 养民) [...] a term designating what was one of the most central precepts that the Master [Confucius] and his disciples set forth. [...] Confucian precepts are several and can be drawn upon to legitimate variable actions.’

In a paper by Chau and Yu (2013, 357), the question of de-familialisation is directly related to the discussion of the East Asian welfare regime, and they conclude that East Asia has moved away from its Confucian heritage as *‘there is almost a consensus that Confucianism in East Asia is no longer as influential as in the past’*. During the 2000s, the literature on East Asian welfare regimes had largely abandoned the Confucian label, but with the Chinese focus on building a ‘harmonious society’ through the expansion of welfare policies, it has to a large extent resurfaced. The concept of filial piety – a central concept in Confucius’ teachings – has experienced an even greater resurgence (Abrahamson 2017). There is some ambiguity, however, in finding an appropriate balance between state and family in China due to the realisation that filial piety cannot bear the burden of China’s looming ageing crisis. This can be illustrated by the rationale of a forthcoming system of ‘socialised elderly service’, described in the Twelfth Five-Year Plan (2011–2015):

‘To strengthen the system of socialised elderly service is the only road for adapting to the change of traditional old-age care for satisfying people’s needs of old-age care [...] The shrinkage of family size and the change of family structure are contributing to the weakening of family care. This is leading to the increasing needs for professional institutions and community services.’

The Ministry of Civil affairs, translated in Lei & Walker (2013, 25)

The acknowledgement that demographic changes are imminent and that the capacity for family care is eroding is obvious from the abovementioned quote. The inclusion of elder care as a state responsibility signals a more active state role in the future funding and delivery of social welfare (Lei & Walker 2013).

As discussed earlier, Esping-Andersen’s typology of welfare regimes triggered interest in Asian welfare programmes as part of an effort to classify non-Western welfare institutions. Esping-Andersen’s classic theory is primarily a historical-

sociological theory, inspired by classical political economy. One critique of the theory – and a very relevant one in this context – is that the theory reduces cultural diversity to instrumental rationality by viewing cultural diversity as ideological solutions to fundamental issues of (de)commodification and stratification. Within social policy, the cultural legacy of Confucianism is debated and open for interpretation, as some social systems of Confucian-rooted societies have been rather different, while societies rooted in different cultural systems have more similar social systems (Wad 2001).

In a report detailing China's way towards a universal welfare state entitled 'Constructing a social welfare system for all in China' written by the official Chinese think-tank (CDRF) reporting directly to the Chinese State Council, there are quotations from Confucius's *Book of Rites* that directly draw parallels between the teachings of Confucius and '*the mission of today's social welfare system*' (CDRF 2012, 4).

The foundations for the CDRF report were laid during a study trip to Denmark, and in the report there are several references to Nordic policies that emphasise a Sino-Nordic welfare dialogue and the opportunity for China to learn from the universal Scandinavian welfare states.

As mentioned earlier, the Scandinavian countries are seen as the realisation of the universal welfare model, characterised by a comprehensive system of municipal care arrangements for the elderly and children. The state guarantees childcare and ensures that parents can secure care in public nurseries or kindergartens. Parents are thus relieved of the care burden, making it possible for Scandinavian women both to undertake labour market careers and to retain the main responsibility for raising children.

The position regarding family policy and women in China is very different. Care for family members has traditionally been a family responsibility in accordance with more than 2000 years of filial piety within the Confucian tradition. However, given the current development in China – that is, low fertility and rapid migration – this model is facing severe challenges (Abrahamson 2015). One issue is that the practice of filial piety is difficult from a distance, and a second issue is that many families are plagued by the 4-2-1 phenomenon (four grandparents, two parents and one child). When families have only one child, it is not feasible for one daughter or daughter-in-law to care for (up to four) elderly parents, even if they live within the same geographical area.

It makes sense to assume that these developments have brought about a rise in care opportunities, but that has not been the case, as argued by Du and Dong (2013, 132) '*the transition from a centrally planned to a market economy that was launched in 1978 has led to a dramatic decline in publicly funded childcare programs*'. In general, childcare services are underfunded and underdeveloped given current demand. In terms of elder care, a similar development has been taking place. Care

for the elderly has traditionally been a family affair; however, decreasing capacity to care for the elderly has opened a market (and an enormous overcapacity) in the private for-profit nursing home sector. Meanwhile, Abrahamson (2017) has argued that private nursing homes are only a solution for the better-off Chinese, while the capacity in affordable public nursing homes is much too small to meet demands, as most cities apply the 90-7-3 formula, which means that they aim for ‘90% cared in own home, 7% in community care and 3% in institutions’ (Abrahamson 2017, 95). This care deficit is a major issue in China, and several studies have shown that the presence of children and elders plays an important role in women’s labour market participation (Hare 2016).

While the Chinese government seems to aim at retaining the practice of filial piety to some extent, it seems that the idea of a harmonious society or ‘nourishing the people’ is not at variance with the current policy climate. Solinger (2015, 996) argues that *‘It would seem that the state’s proclaimed Confucian pretensions may in this policy sector be just paper-thin at present—save for the mission of manufacturing “harmony”.’*

During the process of globalisation, the Chinese welfare state appears to have developed through a combination of rapid social changes, cultural traditions and institutional boundaries – and social policy has emerged as a tool to manage new social risks in the face of new international standards and demands (Xiong 2014). The Chinese welfare state now seems to be stuck in a quagmire as social policy confronts the dilemma between persistent institutions – including the hukou system – and new problems and social risks. During the process of urbanisation and industrialisation, the Chinese government has focused on strengthening the role of social policy and integrating the social security system across the rural/urban boundary, but this has not been without challenges and has not yet achieved complete success.

Considering the overarching regional income disparity, fragmented social security system, diverse local circumstances, issues of fragmented social policy implementation and the complex social fabric embedded in a long tradition of Confucianism, it is safe to say that it will take time for China to create an inclusive and universal welfare system based on needs, egalitarianism and social justice.

5.2.2.1 Transitional China

There is broad agreement that the Chinese welfare state is transitioning, but the question remains: what is it transitioning from and towards what? In China, the welfare state is transitioning within many areas, and it is not merely a question of transitioning towards universalism. From a developmental perspective, the welfare system is moving from economy-driven development and reform towards more holistic development. From an economic perspective, the current social transition is a move from the danwei-based welfare system that existed under the planned economy towards a more market-oriented welfare system. From a social citizenship

perspective, it is moving from a dualistic and segregated rural-urban system towards an inclusive and integrated rural-urban welfare system.

Transitional China will face challenges in speeding up the development of its social welfare system and expanding social rights and public support to satisfy the various demands of both urban and rural residents. Currently, there are insufficiencies of welfare and support within, but not limited to, the sectors of childcare, pensions and maternity. This in turn is placing great pressure on families in this transitional society, where expectations, as well as opportunities, are ever rising. It is a vicious cycle that could result in lower fertility, rapid ageing and population decline.

In the transition period, the main characteristic (and weakness) of the Chinese welfare system lies in its fragmentation. This is particularly evident in the fragmented welfare system and hierarchical distribution of welfare across the hukou system and beyond. The dual social security system indicates that social groups in the upper classes enjoy a higher level of social security, while disadvantaged groups enjoy a lower level of social security, if they enjoy any at all. The fragmentation of social security breaks with the principle of providing support for those in need of social protection; furthermore, it undermines attempts to form a welfare state based on the social values of universality and equality.

While it does not, at this time, seem possible for China to attain a universal welfare state in the manner of the Nordic states, there might be some merit to the idea of a 'moderate' universal welfare state. If we treat universalism as a constant, rather than a spectrum or moving target, then no countries are universal. It would be difficult, but not impossible for China to work towards a moderate form of universalism that would be appropriate to meet the current challenges and conditions in China. What would be appropriate has yet to be determined.

Whether this can truly be termed universalism is doubtful, and the Chinese welfare state might still best be described as existing in a state of institutional ambiguity between a residual and 'moderate' universal approach. However, the progress made in China speaks volumes for the country's attempt to expand welfare services. While welfare services and provisions remain selective, the system has become more inclusive, and recent policy reforms have shown glimmers of a rights-based approach to assessing access to public goods even across the hukou system. To some extent, one might say that China's recent social policy reforms point in a more 'universal' direction, including, for example, the universal coverage for healthcare and pensions, the MLSS scheme, increased public responsibility and efforts to narrow social divisions. Institutional design towards a clear social objective, however, remains severely lacking in China.

As of now, we believe that the principle of 'moderate' universalism in China has begun to address the following elements. First, expanding coverage to (nearly) the entire population in recent major policy reforms. Second, in line with the first element, the expansion of coverage is strengthening the idea of equal citizenship.

Welfare is no longer just for the urban population, just as it should cover not only the vulnerable groups in society. Finally, policymakers are showing a willingness to secure a dignified and decent living for the population, rather than guaranteeing the most basic standard of living. This new realm of policies is supposed to reflect principles such as democracy, equality, freedom and the rule of law (Gow 2017). We should keep in mind, though, that the conceptualisation of these principles is *'most contentious when compared with their common-sense meanings in western liberal political discourse'* (Gow 2017, 101).

How, then, does China move forward? Transitional China must first strengthen the values of egalitarianism and the universality in building up its social security system. As stated by Rothstein, universalism fosters the experience that *'“we” should solve “our” problems together'* (Rothstein 1994, 191). In this process, it is important to respect the cultural traditions of China. It is not feasible or sustainable to disregard the rich cultural heritage and its associated values when forming the future Chinese welfare state. Rather, China's future could be a Confucian universal welfare state in the making.

By establishing universal social welfare schemes, China can support and enhance labour market mobility and social mobility in its structural transformation and policy design. This could greatly enhance the social rights of migrant workers, not to mention those left behind; in turn, this could greatly aid the current demographic transition.

CHAPTER 6. SUMMARY

6.1 Article A

The Hukou Divide – a Passé Construct?

Reference: Jensen, B.E. 2018. “The Hukou Divide: a Passé Construct”. Asia In Focus 5: 28-40. URL: http://asiainfocus.dk/wp-content/uploads/2018/02/AIF_ISSUE5_Jensen.pdf

Article A departs from the current discussion of the abolishment of the hukou system. The article argues that while the notion of the hukou system has lost importance in some areas, for instance in terms of economic inequality as some rural areas have become as affluent as some urban areas, which effectively dilutes the hukou divide in this aspect, it continues to carry great importance in determining people's social citizenship status.

This article contributes to the current discussion of the hukou system in three ways. Firstly, it assesses the development of inequality across the rural/urban divide, bringing in other dimensions beyond economic inequality. Secondly, it critically discusses the hukou divide from a social citizenship point of view, by relating recent social policy developments in China to the concept of social citizenship. Finally, it discusses the resilience of the system, drawing on van Oorschot's (2000) theory of 'deservingness'. It is argued that there is still a long way to go in terms of institutional reforms and that the hukou system may have made an impact on the deservingness heuristics of the Chinese population.

The article concludes that the hukou system remains relevant in how social citizenship is granted in China in several ways: first, it serves not only to register the population, but also to stratify the population. Second, it controls population movements, as migration is conditional under the system and will often lead to social exclusion, as rural-to-urban migrant workers are left without the same rights as those with an urban hukou and are treated as a distinct undeserving group. Last, by definition it divides the population by creating a dual social citizenship and imposing perceptions of deservingness that bolster the divisions.

6.2 Article B

‘Perceived social citizenship’: a comparative study between two different hukous

Reference: Jensen, B.E. 2019. “‘Perceived Social Citizenship’: a Comparative Study Between two Different Hukous”. *Citizenship Studies* 23 (2):172-188. Doi: <https://doi.org/10.1080/13621025.2019.1584157>

Article B is in a sense a continuation of article A. Whereas article A examined how social citizenship is granted, article B examines social citizenship as a state of self-awareness, or ‘perceived social citizenship’, with a specific focus on the elderly cohort in China.

The article utilizes social exclusion theory to examine the prevalence of inequality and take-up issues with regard to access to the pension system and eldercare across the hukou system, as well as the effects thereof. The subjective dimension of ‘perceived social citizenship’ is addressed by using Sen’s capability approach in tandem with the concept of social citizenship.

The purpose of this article is two-fold: first, to discuss perceived social citizenship as a concept based on the capability approach; and second, to identify social exclusion (active and passive) in China throughout the life course and facilitated by the *hukou* system, and assess the effects hereof on ‘perceived social citizenship’.

The inequalities embedded in the hukou system are likely to constrain the agency freedom of rural elders and subsequently undermine their opportunity equality. Furthermore, it limits the functionings of rural elders through a limited old-age pension system and perpetuates rural elders in a path-dependent sense of self-providing resilience. They accept their identity as ‘old peasants’ and the connotation that comes with this, and they see their well-being as their own responsibility. Due to the hukou system, rural elders are restricted in terms of mobility as their welfare benefits are tied to their hukou and in many instances pooled at a local level, this potentially undermines the freedom of agency of rural elders because they are restricted from pursuing coveted goals; it further inhibits their possibility of developing their capabilities.

This article concludes that the *hukou* system causes both active and passive exclusion. The institutional logic of the *hukou* system promotes widespread institutional diversity of social security in pensions and eldercare. Rural elders are being excluded by the Chinese welfare system and, due to the institutional logic of the *hukou* system, are not able to take advantage of their full potential with regard to their functionings, capability, and agency, in accordance with the capability

approach. Due to passive exclusion, they do not possess the autonomy necessary to develop the capacity to pursue coveted goals.

6.3 Article C

Pension reform in China: what can China learn from the Danish approach to demographic change?

Reference: Jensen, B.E. 2019. "Pension reform in China: what can China learn from the Danish approach to demographic change?" *Journal of China and International Relations* 7 (1): 21-43. Doi: <https://doi.org/10.5278/jcir.v7i1.3541>

Article C examines China's response to demographic transition, with a comparative focus on Denmark. The article seeks to examine how China can respond to its increasingly ageing population. The main focus is on investigating barriers and solutions, based on experiences gained from the Danish approach to demographic change, to creating a sustainable old-age pension system given the current demographic transition.

The article outlines three factors from which China arguably could gain insights from Denmark in its attempt to meet the challenges of demographic change under current conditions; first, China needs to raise the retirement age, though in this process they should take notice of the Danish problem of a 'one size fits all' approach to pension age, which remains a major unresolved issue. Second, before postponing retirement, China needs to address ageism in society and create awareness about the demographic challenges. In this regard, Denmark had great success with framing seniors as 'grey gold' to encourage employers to retain and recruit seniors. Third, China needs to realise that "pension reform begins with babies". Pro-natal policies (along with net-immigration) are the main reason why Denmark (along with the other Scandinavian countries) has faced less demographic pressure compared to other European countries, as their total fertility has remained comparatively high.

The article concludes that the greatest lesson for China to learn from the Danish approach to demographic changes is that pensions should not be the sole focus; stimulating labour force participation, creating initiatives to postpone retirement and work longer and enforcing pro-natal policies are all part of the solution. There is a need to create a comprehensive policy approach, which addresses the demographic challenges as a many-faceted issue in society. This is only possible if China addresses issues of care for the elderly, increasing the pension age, while at the same time addressing issues related to declining fertility and gender parity.

6.4 Article D

Sources of support among the elderly in China: the changing roles of family and government

Reference: Jensen, B.E.: Sources of support among the elderly in China: the changing roles of family and government. Manuscript.

Article D examines the changing roles of family and government amidst the demographic transition. This study first examines familial values in a comparative context, as well as Chinese elder's preference for living arrangements. Lastly, it examines which factors are related with familial eldercare values in China divided in two subcategories; values related to the family as (a) the provider of domestic care and (b) covering the cost hereof.

The article shows that familial care values are strong in China, from a comparative perspective. From the perspective of the elderly Chinese, we find that 61.9 percent of those over the age of 60 years believe that the most desirable living arrangements for elderly people is with family.

The article also show that those receiving care (56-65 and 66+ year olds) and those providing care (primarily and traditionally women) are not the ones holding the strongest familial eldercare values.

The article concludes that these results likely signify the emergence of a new filial piety practice, which emphasizes the significance of the social security system for providing economic support to elderly people, yet affirms the responsibility of children to respect and support their parents.

Filial piety holds an important place in Chinese tradition and belief system, in order to maintain the role of filial piety in modern China, young people, especially women, must be supported by the development of formal support systems beyond the family.

CHAPTER 7. TYING A KNOT: WELFARE STATE DEVELOPMENT AND DEMOGRAPHIC TRANSITION

In this chapter, we will attempt to tie a knot on the threads we have woven together in the previous chapters and create a more coherent picture of their interrelatedness and provide an answer to our research questions. Demographic change, both in how it manifests itself and the ‘damage’ it is allowed to do, has demonstrated itself to be highly dependent on, first and foremost, the welfare state, but also on normative orientations.

The relationship between social citizenship and demography is an overlooked area within citizenship studies, although a recent study by Torpey and Turner (Torpey and Turner 2017) has connected the two with a focus on immigration and social diversity. They argue that new forms of citizenship has emerged – namely ‘flexible citizenship’ or ‘semi-citizenship’ and so forth. Though this can be related to the Chinese case – not in terms of immigration, but internal migration – we would rather look at the relationship between demographic change, in this case mainly ageing, and social citizenship as a symbiotic relationship.

It is well known by now that China is the first country in the world to be ageing without first having fully reached the status of a ‘developed country’. In a popular phrase – ‘China is growing old, before it is growing rich’. At this point in time, the significance of the demographic transition is not yet clear. First, there are many factors that can change the potential effects of demographic change, including changes in fertility patterns or family structures. In this dissertation, we have focussed on the welfare state as a possible mitigating effect on demographic change. Second, demographic change will not affect the country equally, as some parts of the country are very rich and highly developed, but many parts are not. Third, some parts of the country are becoming better adapted to handling the current demographic transition, while others severely lack institutional care and funding.

This fragmentation is not news; it is a story as old as the PRC. Considering the magnitude of the looming ageing crisis, however, there is no room for social exclusion and dual welfare states, and this realisation has begun to dawn. A substantial body of public policy-oriented literature has emerged since the 2000s that has measured and proposed solutions to China’s demographic challenge. Many astute observations have concluded that the ageing burden will impose overwhelming challenges to the development of a Chinese welfare state, mainly in terms of the fragmented and fragile public pension system, as well as to China’s continued economic growth.

While there is no doubt that China's rapid ageing will place tremendous pressure on the country's economic health and fiscal conditions, we believe that there are a number of initiatives that can be enacted to defer the consequences of an ageing population or even compensate for the development. As argued in chapter 4, China has made great improvements in terms of welfare state development, and new reforms have focused on including the most vulnerable groups in society into the social welfare system. In other words, China's rapid expansion of social insurance shows aspirations towards an inclusive welfare state, with more beneficiaries, as well as more contributors. Recent policy developments have shown that policymakers are acknowledging that it is not possible to maintain institutional status quo, and we have recently seen many measures that could potentially mitigate some of the effects of rapid population ageing.

7.1 Conclusions

The overall aim of this dissertation is to examine if and how the development of a 'moderate' universal welfare state can relieve the burden associated with demographic transition in China. In the following section, the dissertation will first provide specific conclusions to the two sub-questions, before discussing the overall research question.

Regarding the first sub-question: "What are the challenges to the development of China's social welfare system?"

The dissertation finds that the main challenge to China's social welfare system at this time is the hukou system or more specifically 'social exclusion'. In articles A ('The Hukou Divide – a Passé Construct?') and B ("Perceived social citizenship": a comparative study between two different hukous'), we argue that the hukou system can be considered an institutional logic of welfare segregation, in that it serves to stratify the population and control population movements, leading to social exclusion. However, more importantly, by definition, it divides the population by creating a dual social citizenship and imposing perceptions of deservingness that bolster these divisions – as such, it inhibits the citizenship status of a large part of the population.

Although the hukou divide has been diminished in some respects, it is still thriving in terms of social citizenship. A policy design which favours inclusiveness and 'moderate' universalism could foster equal social citizenship across China.

Regarding the second sub-question: 'How does welfare state development affect demographic change in China?'

In article C ('Pension reform in China: what can China learn from the Danish approach to demographic change?') the dissertation shows that China could

arguably learn from the Danish approach to demographic challenges in several ways. Denmark has adopted encompassing policy schemes to meet demographic changes and set up a sustainable approach to population ageing. The article shows that a long-term, sustainable solution should be found in a holistic welfare state approach to ageing – as has been the case in Denmark. This is only possible if China addresses the issues of elder care and increasing the pension age, while at the same time addressing issues related to declining fertility and gender parity.

In article D (‘Sources of support among the elderly in China: the changing roles of family and government’) the dissertation shows that a new filial piety norm has emerged, one which emphasises the significance of the social security system for providing economic support to elderly people, yet affirms the responsibility of children to respect and support their parents. It appears that the younger generation is shifting their filial obligations to the state for the provision of financial support, Medicare and service provision, while the elderly generation are recognizing the burden placed on the young and in a show of intergenerational solidarity, they appease their filial piety expectations. However, as was also evident from article C, in order to support this development and maintain the important role of filial piety there is a need to address issues related to declining fertility and gender parity.

To return to the overall research question, we find indications that the development of a ‘moderate’ universal welfare state could relieve the burden associated with demographic change in China, through a holistic welfare state approach to demographic change.

The term ‘holistic’ is vague and it is difficult to pinpoint exactly what is needed to achieve this. Overall, what is meant, is a policy approach which goes beyond addressing ‘ageing’ from the perspective of the elderly. This can be achieved by for instances:

- Creating a more favourable distribution of incomes through the process of urbanization.
- Expanding social insurance coverage to secure more future contributors.
- Fostering equal social citizenship across the rural/urban boundary.
- Creating incentives to postpone retirement and work longer.
- Stimulating labour force participation.
- Setting up a more unified welfare system or a continual transfer system where risk and cost are more evenly distributed.
- Enforcing pro-natal policies.

Overall, this dissertation finds that by taking set ‘holistic’ approach to welfare state development, China could take advantage of enormous untapped labour market resources and lessen the demographic burden considerably in the future. We have identified these ‘untapped labour market resources’ as: migrants who are excluded

from the urban welfare system (see articles A and B); those over the age of 60 years who are subject to cultural expectations of being ‘old’ (see article C); and women who are excluded from the labour market due to a lack of policies regarding maternity, gender discrimination in hiring and a lack of formal care facilities for ageing family members (see article C & D).

There is no doubt, that the bulk of these ‘untapped labour market resources’ are to be found amongst migrants and rural residents in general. Migrants and rural residents remain highly marginalised and excluded from large parts of the welfare system and are thereby demoted to second-rate citizens. Despite a shift in the inclusion of migrants into welfare systems in small- and medium-sized cities, they remain excluded from welfare schemes in the largest cities in China. Recent reforms of the Chinese welfare system have shown glimmers of a rights-based approach to social rights, which is one of the building blocks of citizenship (Saich 2017). The extension of coverage and generosity of the pension system and healthcare insurance in particular are examples of policy reforms that take steps towards a citizen-based approach to public service provision.

Continued policy movement in this direction would resemble what Marshall (1950) terms ‘*social citizenship*’, which encompasses socioeconomic protection. Marshall posited a relationship between class and citizenship in terms of civil, political and social rights. An essential idea in Marshall’s theory was that obtaining political rights would yield social rights through the exercise of political power. The lack of political rights or a political voice remains a significant obstacle for migrants and rural residents in obtaining equal social rights, as argued by Saich (2017: 96): “*Political citizenship*” even at the local level still seems some way off”. Essentially, the expansion of social benefits depends on the largesse of the government.

As stated in chapter 5, the basic criterion of universalism is equal citizenship and inclusion, which entails membership for all citizens (Kildal and Kuhnle 2005). All citizens for whom support is relevant are entitled to receive it. In China, there are opportunities to expand not just coverage, but also participation in welfare schemes. Higher participation among women, migrant and those over the age of 60 years, would result in more working-age contributors to social insurance programmes and thus a more solid foundation for the challenge of population ageing. Furthermore, creating a pension system that takes into account the lower income of migrants and their status as ‘floating’ (by creating incentives to participate with lower premiums and a continual transfer system of accumulated pension rights) could integrate this growing population group into the pension system. The pension system should take into account the socio-economic conditions and life plans of migrants. The current institutional barriers for insurance transfer and continuation will likely prove a challenge to the sustainability of the Chinese pension system, as it leaves many discouraged from joining pension programmes.

As the population grows older, the need for healthcare will increase. The idea that rights of access to healthcare, among other social welfare provisions, apply equal to

all citizens, remains constrained by the hukou system and China's legacy of citizenship distinction – a kind of welfare chauvinism, as discussed earlier. There can be no doubt that the magnitude of the imminent demographic transition could be mitigated by allowing the migrant masses access to healthcare in the place where they work. This is not merely dependent on policy reforms, however; greater notions of social solidarity between urban residents and migrant workers are key factors in realising this.

We acknowledge that much depends on regulating the pension age, labour productivity of the shrinking workforce and other incremental policy changes.

Recent policy reforms in China have alleviated a great deal of the institutional fragmentation that has plagued the welfare system for decades, but they have far from eradicated it. By strengthening universalism and thereby extending social citizenship to a greater portion of the population, it would be possible to mitigate some of the consequences of demographic change and secure a more sustainable approach to population ageing.

To reiterate the quote by Lao Tzu from the beginning of this dissertation – 'A journey of a thousand miles begins with a single step'. China has taken that all-important first step in the development of their welfare state. We do not know what 'moderate' universalism will mean in the future, we only know what it entails now; and for now, it is not enough to meet the imminent demographic crisis. The journey is not yet over – it has only just begun.

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